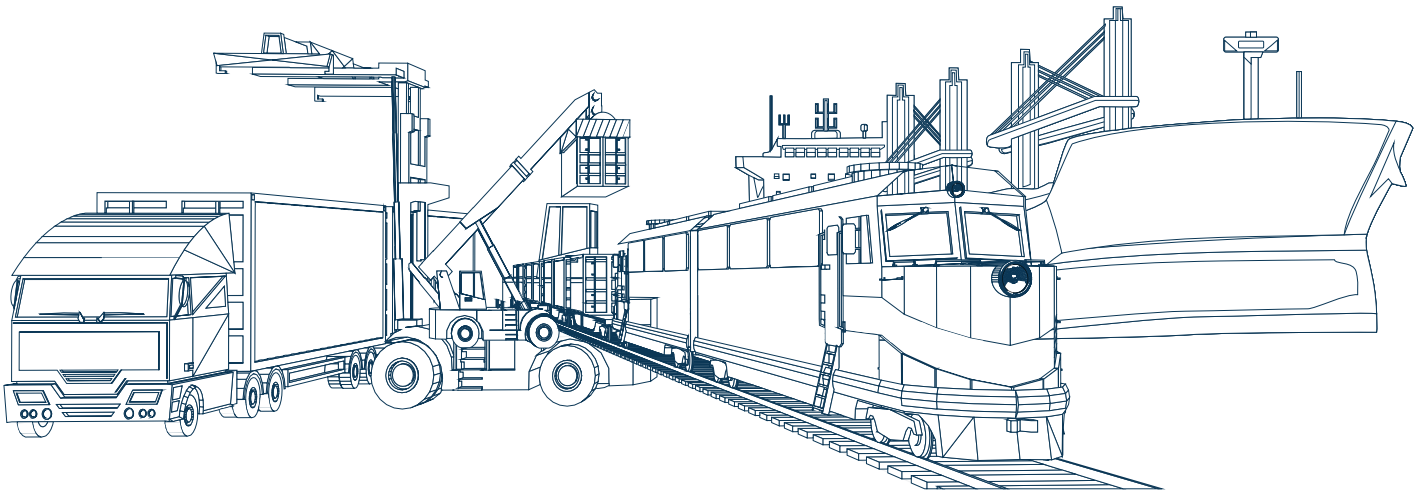




# GRINDROD

## AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2016



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# AUDITED ANNUAL FINANCIAL STATEMENTS

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# APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2016*

The preparation of annual financial statements that fairly represent the results of the group and company in accordance with the Companies Act of South Africa and International Financial Reporting Standards is ultimately the responsibility of the board of directors. The board also ensures an independent audit of the financial statements by the external auditors in accordance with International Standards on Auditing. The board is of the opinion that the internal accounting control systems assure the adequate verification and maintenance of accountability for Grindrod's assets, and assure the integrity of the annual financial statements. No major breakdown in controls that could influence the reliability of the annual financial statements was experienced during 2016.

Based on the financial results of Grindrod and the cash flow forecast for the year ended 31 December 2017, and the application of solvency and liquidity tests, the board is further of the opinion that the Grindrod group has adequate resources to continue in operation for the foreseeable future. The annual financial statements were consequently prepared on a going concern basis.

At the board meeting held on 01 March 2017, the board of directors approved the annual financial statements and further authorised Mr MJ Hankinson and Mr AK Olivier, in their respective capacities as chairman and chief executive officer, to sign off the annual financial statements. The annual financial statements which appear on ► pages 13 to 115 are therefore signed on its behalf by:

**MJ Hankinson**  
*Chairman*

Durban  
01 March 2017

**AK Olivier**  
*Chief executive officer*

Durban  
01 March 2017

# COMPLIANCE STATEMENT BY THE COMPANY SECRETARY

*for the year ended 31 December 2016*

The group company secretary of Grindrod Limited certifies that in terms of section 88(2) of the Companies Act No.71 of 2008, as amended, the company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2016.



**CI Lewis**

*Group company secretary*

Durban

01 March 2017

# PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2016*

The preparation of the annual financial statements for the year ended 31 December 2016, which appear on ► pages 13 to 115, has been supervised by the group financial director of Grindrod Limited, Mr AG Waller.



**AG Waller CA(SA)**

*Group financial director*

01 March 2017



# REPORT OF THE AUDIT COMMITTEE

The audit committee is a formal, statutory board sub-committee, appointed by the shareholders to assist the board in its corporate governance supervision responsibilities. The committee operates independently of management, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the delegated authority of the board, within formally approved terms of reference, reviewed and approved annually.

The review of the terms of reference to incorporate the recommendations of King IV was completed at the committee meeting held in February 2017.

## Role of the committee

The audit committee ensures that accurate financial reporting and adequate systems, controls and financial risk-management policies, procedures and standards are in place. The committee is responsible to ensure appropriate corporate governance and compliance within the scope of its mandate, with a specific focus on the potential risks to the company, and for IT governance and the strategic alignment of IT with the performance and sustainability objectives of the company.

The committee is also, subject to board approval when applicable, authorised to investigate any activity within the scope of its terms of reference and to interact with the directors, management, employees and assurance providers and to obtain independent professional advice to ensure effective governance. The committee has decision-making authority regarding its statutory duties and is accountable to the board and the company's shareholders.

In 2016, the committee approved the company's tax policy and amplified its terms of reference to include corporate tax policy and payment oversight.

## Composition and committee meetings

The committee composition adheres to the requirements of the Companies Act of South Africa, the JSE Listings Requirements and both King III and IV. The chairman of the board may not serve as the chairman or as a member of the committee. The committee comprises three independent non-executive directors, all of whom are financially literate. During the year under review, directors serving on the committee included Grant Gelink (re-appointed 27 May 2016 and appointed as chairperson 26 November 2014), Walter Geach (re-appointed 27 May 2016), Tantaswa Nyoka (appointed 27 November 2014, resigned 10 May 2016) and Raymond Ndlovu (appointed 27 May 2016). More details of these directors are given on ► pages 50 to 54 of the integrated annual report.

The committee invites the chairman, the CEO, the group financial director, internal audit manager and representatives of the external auditors to attend its meetings as required.

Committee members meet at scheduled meetings twice a year and at unscheduled meetings when required to address urgent matters in its scope of responsibility. No unscheduled meetings were held in 2016.

Attendance of committee members at the meetings of the committee during the year is listed on ► page 55 of the integrated annual report.

Fees paid to the committee members are reflected on

► page 67 in the remuneration report in the integrated annual report and the proposed fees for 2017 are detailed on ► page 96 of the integrated annual report.

## Key activities

In terms of its mandate, matters included in the audit committee's annual work plan in 2016 included:

- evaluation of the independence, effectiveness and performance of the internal audit manager;
- reviewing and approving the internal audit charter, annual work plan and internal audit fees;
- assessing the suitability, expertise and experience of the group financial director and the expertise, experience and resources of the company's finance function;
- reviewing the combined assurance model and the effectiveness of the process for identifying, assessing and reporting on significant internal financial-control and fraud risks as related to financial reporting;
- reviewing the group IT governance report and IT risks, and evaluation of audit assessments of IT-related controls performed by the internal and external auditors together with the appropriateness of actions taken by management to address key issues identified;
- nominating the independent external auditor and designated audit partner and the approval of their terms of engagement and fees for audit and non-audit services;
- reviewing the external auditors' work plan, staffing, independence, effectiveness, audit findings, key audit risks and external audit report;
- reviewing the internal auditors' limited assurance report;
- legislative and regulatory compliance within the scope of its mandate;
- reviewing the company's tax policy and implementation;
- reviewing and recommending to the board publicly disclosed financial information, including the interim results for the six months ended 30 June 2016;

- reviewing the annual financial statements and results for the year ended 31 December 2016 and the 2016 integrated annual report in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the board of directors;
- reviewing and confirming the going concern status;
- evaluating of the performance of the audit committee; and
- approving its annual work plan for 2017.

The functions of the committee are also performed for the subsidiaries within each division of Grindrod Limited as represented in the Segmental Analysis. The external auditor was nominated for each material subsidiary company for re-appointment.

The chairman of the committee met formally with the internal and external auditors during the year. During these meetings no matters of concern were raised.

## External audit

Deloitte & Touche served as the company's registered external auditors for the 2016 financial year. The terms of engagement, independence, expertise, audit quality, objectivity and the appropriateness of rotation of key partners in Deloitte & Touche as the external auditor were appraised by the audit committee, which includes an annual evaluation. The committee meets with the external auditors twice a year. The external auditors have unrestricted access to the chairman of the committee and have met formally twice during the year.

In assessing the auditor's independence, the committee considered guidance contained in both King III and IV as well as the recent IRBA publications and the related commentary thereon. Deloitte & Touche have been auditors of the Grindrod group for thirteen years and have demonstrated an institutional knowledge, deep expertise and experience of the group in all the related countries in which the group operates. The committee is satisfied that in discharging its duties in terms of its mandate, together with the robust internal Deloitte independence processes, which include:

- periodic internal quality reviews as well as those conducted by IRBA,
- the rotation of the group audit partner and key component audit partners at least every five years, and
- independence audits on all partners,

that Deloitte & Touche's independence is maintained and has not been impacted by tenure. The committee is satisfied that adequate steps have been taken by Deloitte & Touche and management to ensure that the transition to the incoming group audit partner will be effective and efficient.

The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the company. External audit fees approved for the 2016 financial year to Deloitte & Touche amounted to R19 million; US\$205 000; SGP\$904 000 and P608 000. The approved audit fee accounts for 38 audit partners in 33 countries in order to perform the 200 + global statutory audits. The total non-audit services for the 2016 financial year performed by and paid to Deloitte & Touche amounted to R3 million, of which a substantial portion was in support of external audit discharging their responsibilities. In addition the committee has satisfied itself that the auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor.

## Significant areas of judgement

Many areas within the financial statements require judgement, which are set out in note 1 to the annual financial statements. The committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and the following are highlighted:

- valuation of goodwill;
- valuation of investments in joint ventures;
- valuation of ships and bunker barges; and
- classification and measurement of non-current assets held for sale.

Goodwill and other indeterminate useful life intangible assets are assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates applied.

The committee was in agreement with the impairment of the goodwill and intangible assets and that the carrying value of the goodwill is fairly stated. Please refer to notes 1 and 3 to the annual financial statements for further detail.

Annual impairment tests are conducted to assess the recoverability of the carrying value of the various investments in joint ventures, using discounted cash flow models and include a number of key assumptions, such as revenue growth, operating margins, exchange rate fluctuations and the discount rates applied to the projected future cash flows. The committee considered the impairment test conducted, and is in agreement with the impairment of certain investments in joint ventures and that the carrying value of the investments in joint ventures is fairly stated.



# REPORT OF THE AUDIT COMMITTEE continued

Annual impairment tests are conducted to assess the valuation of ships and bunker barges using a value-in-use model as well as comparisons to traded market values. A number of key assumptions are considered, including charter-in and freight market rates, operating margins, residual value of the ships and discount rates applied to the projected future cash flows. The committee considered the impairment test conducted, and is in agreement with the impairment of ships and bunker barges and that the carrying value of ships and bunker barges is fairly stated.

Once a sales plan relating to loss of control of a subsidiary has been committed to, all of the assets and liabilities of such subsidiary are classified as held for sale in terms of IFRS 5. As a result of the magnitude of the amount classified as held for sale and key judgements made in determining the classification of disposal groups held for sale as well as the measurement thereof, this is considered to be a key audit matter.

The committee agreed with the fair value less costs to sell and assessed any key adjustments to net book value of the disposal groups based on the requirements of IFRS 5 subsequent measurement. Please refer to note 18 to the annual financial statements.

## Annual report

### Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2016, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and IFRS as issued by the IASB, and fairly present the results of operations, cash flows and the financial position of Grindrod. On this basis, the committee recommended that the board of directors approve the annual financial statements of Grindrod for the year ended 31 December 2016.

### Integrated annual report

The committee reviewed this report, taking cognisance of material factors and risks that may impact the integrity thereof and recommended that the board of directors approve the integrated annual report of Grindrod for the year ended 31 December 2016.

On behalf of the audit committee

**Grant Gelink**

**Chairman**

28 February 2017

# DIRECTORS' REPORT

for the year ended 31 December 2016

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company and of the group for the year ended 31 December 2016.

## NATURE OF BUSINESS

The nature of the group's business is set out under the divisional reviews on ► pages 22 to 33 of the integrated annual report.

## REVIEW OF OPERATIONS

The financial results for the year ended 31 December 2016, including the results of operations are dealt with in the consolidated income statements, statements of comprehensive income and segmental analysis on ► pages 14 to 23 of these annual financial statements and the operational review on ► pages 20 to 49 of the integrated annual report.

The year under review is fully covered in the chairman's, the executive officer's and the group financial director's reviews in the integrated annual report.

## ACQUISITIONS AND DISPOSALS

- 75% in Nacala Intermodal Terminal Investments.

The reason for the acquisition was to obtain a majority share in the existing container depot outside the Port of Nacala Mozambique which will serve as an anchor point for the integrated logistics supply chain in the Nacala corridor.

During the period Grindrod Asset Management Proprietary Limited was rebranded to Bridge Fund Managers and the business was sold to Infinitus in which Grindrod Limited, via its subsidiary GFS Holdings (Pty) Limited, holds an interest. The transaction is expected to provide the business with expanded growth opportunities under its new identity and shareholding structure. The disposal of the coal trading, machine handling and rigging businesses was to rationalise operations to assist in the delivery of the groups long-term goals.

- 100% in Grindrod Asset Management Holdings Proprietary Limited;
- 100% in Coreshares Holdings Proprietary Limited;
- 50% in Vanguard Rigging Proprietary Limited; and
- 35% in Vitol Coal South Africa BV.

## SHARE CAPITAL

Details of the authorised and issued shares are shown in note 19, and the share analysis is shown on ► pages 92 and 93 of the integrated annual report.

The directors propose that the general authority granted to them to repurchase ordinary shares as opportunities present themselves be renewed at the forthcoming annual general meeting.

The directors propose that a general authority be granted to them to allot and issue ordinary shares up to 10% of the number of ordinary shares in issue and that a general authority be granted to issue shares for cash.

## DIVIDENDS

No ordinary dividends have been declared for the year.

The directors declared a dividend of 466.0 (2015: 423.0) cents per preference share which will be paid on 3<sup>rd</sup> April 2017.

## SPECIAL RESOLUTIONS

Apart from special resolutions approved at the Company's annual general meeting, no other special resolutions were approved.

Special resolutions were passed by certain subsidiaries within the group to accommodate the acquisition of various businesses and to amend their memorandum of incorporation.

## SUBSIDIARY COMPANIES

Information on subsidiary, joint venture and associated companies is contained in notes 4, 5 and 6, respectively on ► pages 48 to 51. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the divisional reviews on ► pages 22 to 33 of the integrated annual report.

## DIRECTORATE AND COMPANY SECRETARY

Brief curricula vitae of the current directors are disclosed on ► pages 50 to 54 of the integrated annual report. Details of directors' remuneration and the incentive schemes appear on ► pages 65 to 73 of the integrated annual report.





# DIRECTORS' REPORT continued

for the year ended 31 December 2016

Mr RSM Ndlovu was appointed as independent non-executive director on 27 May 2016, Mr G Kotze was appointed as alternate non-executive director to Mr MR Faku and Ms Z Malinga was appointed as independent non-executive director on 24 October 2016.

According to the company's Memorandum of Incorporation, at the forthcoming annual general meeting, Messrs MR Faku, GG Gelink, MJ Hankinson and SDM Zungu retire by rotation. All are eligible and have offered themselves for re-election.

The registered office of the company is as follows:

**Business address**

Quadrant House  
115 Margaret Mncadi Avenue  
Durban 4001  
South Africa

**Postal address**

PO Box 1  
Durban 4000  
South Africa

## EMPLOYEE RETIREMENT BENEFIT PLANS

Details of the group's employee retirement benefit plans are separately disclosed in note 22 on ► pages 69 to 73.

## AUDIT COMMITTEE

At the forthcoming annual general meeting, pursuant to the requirements of section 94(2) of the Companies Act of South Africa, shareholders will be requested to pass an ordinary resolution appointing the chairman and members of the audit committee.

## MAJOR SHAREHOLDERS

Shareholders holding beneficially, directly or indirectly, in excess of 5% of the issued share capital of the company are detailed on ► pages 92 and 93 of the integrated annual report.

## AUDITORS

At the forthcoming annual general meeting, pursuant to the requirements of section 90(1), read with section 61(8)(c) of the Companies Act of South Africa, shareholders will be requested to pass an ordinary resolution re-appointing Deloitte as the company's independent registered auditors and Mrs K Peddie as designated audit partner.

## SUBSEQUENT EVENTS

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

## GOING CONCERN

The directors consider that the group and company have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the group and company's financial statements. The directors have satisfied themselves that the group and company are in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF GRINDROD LIMITED

### Report on the audit of the consolidated and separate financial statements

#### OPINION

We have audited the consolidated and separate financial statements of Grindrod Limited (the group) set out on ► pages 13 to 115, which comprise the statements of financial position as at 31 December 2016, and the income statements and statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 December 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
<p><b>Valuation of goodwill (consolidated financial statements)</b></p> <p>As required by IAS 36 <i>Impairment of Assets</i> (IAS 36), the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill which is assessed for impairment when the indicators as defined in IAS 36 exist. The impairment assessments are performed using discounted cash flow models. There are a number of key judgements made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> <li>• Operating margins;</li> <li>• Growth rates; and</li> <li>• The discount rates applied to the projected future cash flows.</li> </ul> <p>As a result of the key sensitive judgements made, the valuation of goodwill is considered to be a key audit matter.</p> <p>Goodwill is disclosed in note 3 of the consolidated financial statements.</p>	<p>In evaluating the valuation of goodwill, we reviewed the value in use calculations prepared by the directors, with a particular focus on future cash flows, growth rate and discount rate. We performed various procedures, including the following:</p> <ul style="list-style-type: none"> <li>• Testing the entity's relevant controls relating to the preparation of the cash flow forecasts.</li> <li>• Testing of inputs into the cash flow forecast against historical performance and in comparison to the directors' strategic plans in respect of each cash-generating unit.</li> <li>• Comparing the growth rates used to historical data regarding economic growth rates included in the cash-generating units.</li> <li>• Recomputation of the value in use of each cash-generating unit.</li> <li>• Engaging with internal specialists to validate the key assumptions used in determining the discount rate.</li> <li>• Subjecting the key judgements to sensitivity analyses.</li> </ul> <p>We found that the assumptions used by the directors were comparable with historical performance and the expected future performance and the discount rates used were appropriate in the circumstances. We consider the disclosure of the goodwill to be appropriate.</p>



# INDEPENDENT AUDITOR'S REPORT continued

Key audit matter	How the matter was addressed in the audit
<b>Valuation of investments in joint ventures (consolidated financial statements)</b>	
<p>As required by IAS 36, the directors conduct annual impairment tests to assess the recoverability of the carrying value of the various investments in joint ventures. The assessment for impairment is performed when the indicators as defined in IAS 36 exist. These impairment assessments are performed using discounted cash flow models. As disclosed in the accounting policy of the consolidated financial statements, there are a number of key sensitive judgements made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"><li>• Revenue growth;</li><li>• Operating margins;</li><li>• Exchange rate fluctuations; and</li><li>• The discount rates applied to the projected future cash flows.</li></ul> <p>Accordingly, the impairment of investments in joint ventures is considered to be a key audit matter.</p> <p>Investments in joint ventures is disclosed in note 5 of the consolidated financial statements.</p>	<p>We focused our testing of the valuation of investments in joint ventures on the key judgements made by the directors.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• Critically evaluating whether the discounted cash flow models used by the directors to calculate the value in use of the investments comply with the requirements of IAS 36.</li><li>• Engaging our internal specialists to assist with validating the key assumptions used to calculate the discount rates and recalculating these rates.</li><li>• Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the respective entities.</li><li>• Subjecting the key judgements to sensitivity analyses.</li><li>• Comparing the projected cash flows, including the judgements relating to revenue growth rates and operating margins, against historical performance to test the accuracy of the directors' projections.</li></ul> <p>We found that the judgements used by the directors were comparable with historical performance and the expected future performance and the discount rates used were appropriate in the circumstances. We consider the disclosures of the investments in joint ventures to be appropriate.</p>
<b>Classification and measurement of non-current assets held for sale (consolidated financial statements)</b>	
<p>As required by IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> (IFRS 5), once the directors have committed to a sales plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale.</p> <p>As a result of the magnitude of the amount classified as held for sale and key judgements made in determining the classification of disposal groups held for sale as well as the measurement thereof this is considered to be a key audit matter.</p> <p>Non-current assets held for sale are disclosed in note 18 of the consolidated financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• Evaluating the directors' assessment of fair value less costs to sell against available supporting documentation and facts at reporting date.</li><li>• Challenging any adjustments made to the net book value of disposal groups based on the requirements of IFRS 5 subsequent measurement.</li><li>• Assessing any impairment incurred for appropriateness.</li><li>• Critically evaluating the directors' judgements and reasoning around the reclassification of investments in subsidiaries as non-current assets held for sale.</li></ul> <p>The directors' assumptions appear to be reasonable based on the information available as at the reporting date. We consider the disclosures of non-current assets held for sale to be appropriate.</p>

Key audit matter	How the matter was addressed in the audit
<p><b>Valuation of ships (consolidated financial statements)</b></p> <p>As required by IAS 36, the directors conduct annual impairment tests to assess the valuation of the ships. The impairment assessment is performed using a value in use model as well as comparisons to traded market values. A number of key judgements are made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> <li>• Charter in and freight market rates;</li> <li>• Operating margins;</li> <li>• Residual value of the ships; and</li> <li>• The discount rates applied to the projected future cash flows.</li> </ul> <p>As a result of the sensitivity of the key judgements made, the impairment test of ships is considered to be a key audit matter.</p> <p>Ships are disclosed in note 2 (ships, property, terminals, machinery, vehicles and equipment) of the consolidated financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Critically evaluating whether the model used by the directors to calculate the value in use of the individual cash-generating units complies with the requirements of IAS 36.</li> <li>• Ensuring that the method and judgements used are consistently applied from year to year or, where not so, are appropriate in the circumstances.</li> <li>• Engaging our internal specialists to assist with validating the judgements used to calculate the discount rates and recalculating these rates.</li> <li>• Analysing the future charter in and freight market rates used in the models against published charter in and freight market rate forecasts to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance.</li> <li>• Retrospective analysis of the directors' historical judgements in respect of future charter in and freight market rates, operating margins and residual values against current performance.</li> <li>• Subjecting the key judgements to sensitivity analyses.</li> </ul> <p>We found that the judgements used by the directors were comparable with historical performance and the expected future performance and the discount rates used were appropriate in the circumstances. We consider the disclosure of the ships to be appropriate.</p>

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Compliance Statement by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.



# INDEPENDENT AUDITOR'S REPORT continued

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Grindrod Limited for 13 years.

**Deloitte & Touche**  
**Registered auditors**

Per: **CA Sagar**  
**Partner**

01 March 2017

2 Pencarrow Crescent  
Pencarrow Park  
La Lucia Ridge Office Estate  
La Lucia 4051  
Docex 3  
Durban

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Notes	Group		Company	
		2016 R000	2015 R000	2016 R000	2015 R000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Ships, property, terminals, vehicles and equipment	2	5 351 224	7 632 489		
Intangible assets	3	1 060 807	1 604 159		
Investments in subsidiaries	4			10 300 605	10 250 605
Investments in joint ventures	5	3 947 765	4 806 687		
Investments in associates	6	852 225	922 350		
Investment property	7	128 891	111 925		
Other investments	8	1 819 107	1 604 043	500 569	454 020
Deferred taxation	9	87 062	205 705	2 888	2 461
Derivative financial assets	10	-	3 427		
Finance lease receivables	11	730	37 912		
Recoverables on cancelled ships	12	-	-		
<b>Total non-current assets</b>		<b>13 247 811</b>	<b>16 928 697</b>	<b>10 804 062</b>	<b>10 707 086</b>
Loans and advances to bank customers	13	5 854 734	4 915 854		
<b>Current assets</b>					
Liquid assets and short-term negotiable securities	14	1 801 065	1 065 730		
Inventories	15	429 984	729 063		
Trade and other receivables	16	3 748 461	4 093 587	3 366 884	3 373 509
Taxation		67 040	48 686		
Short-term loans	17	-	-		
Cash and cash equivalents		9 478 073	8 393 256	3 154	5 677
<b>Total current assets</b>		<b>15 524 623</b>	<b>14 330 322</b>	<b>3 370 038</b>	<b>3 379 186</b>
Non-current assets classified as held for sale	18	1 549 072	281 892		
<b>Total current assets</b>		<b>17 073 695</b>	<b>14 612 214</b>	<b>3 370 038</b>	<b>3 379 186</b>
<b>Total assets</b>		<b>36 176 240</b>	<b>36 456 765</b>	<b>14 174 100</b>	<b>14 086 272</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital and premium	19	5 971 721	5 970 729	6 407 374	6 407 374
Equity compensation reserve		68 513	63 643	17 679	16 771
Non-distributable reserves		4 494 721	5 936 801		
Accumulated profit		5 217 482	7 174 992	7 612 731	7 575 253
Equity attributable to owners of the company		<b>15 752 437</b>	<b>19 146 165</b>	<b>14 037 784</b>	<b>13 999 398</b>
Non-controlling interests		48 919	(6 274)		
<b>Total equity</b>		<b>15 801 356</b>	<b>19 139 891</b>	<b>14 037 784</b>	<b>13 999 398</b>
<b>Non-current liabilities</b>					
Long-term borrowings	20	1 423 339	2 061 818		
Financial services funding instruments	21	803 489	798 288		
Derivative financial liabilities	10	10 521	-		
Deferred taxation	9	261 817	224 675		
Provision for post-retirement medical aid	22	55 373	61 099		
Provisions	23	55 552	28 092		
<b>Total non-current liabilities</b>		<b>2 610 091</b>	<b>3 173 972</b>	<b>-</b>	<b>-</b>
Deposits from bank customers	24	13 610 140	9 979 739		
<b>Current liabilities</b>					
Trade and other payables	25	1 626 901	2 441 288	134 581	85 126
Provisions	23	87 520	47 666		
Current portion of long-term borrowings	20	634 240	849 088		
Current portion of financial services funding instruments	21	191 187	173 005		
Short-term borrowings and overdraft	20	274 797	477 330		
Taxation		116 899	84 936	1 735	1 748
<b>Total current liabilities</b>		<b>2 931 544</b>	<b>4 073 313</b>	<b>136 316</b>	<b>86 874</b>
Non-current liabilities associated with assets classified as held for sale	18	1 223 109	89 850		
<b>Total current liabilities</b>		<b>4 154 653</b>	<b>4 163 163</b>	<b>136 316</b>	<b>86 874</b>
<b>Total equity and liabilities</b>		<b>36 176 240</b>	<b>36 456 765</b>	<b>14 174 100</b>	<b>14 086 272</b>



# INCOME STATEMENTS

for the year ended 31 December 2016

	Notes	Group		Company	
		2016 R000	2015* R000	2016 R000	2015 R000
<b>Revenue</b>	26	<b>9 031 783</b>	10 192 369	<b>120 366</b>	568 923
<b>Earnings before interest, taxation, depreciation and amortisation</b>	27	<b>469 323</b>	1 098 900	<b>107 152</b>	535 582
Depreciation and amortisation	27	<b>(584 061)</b>	(675 482)	-	-
<b>Operating (loss)/profit before interest and taxation</b>		<b>(114 738)</b>	423 418	<b>107 152</b>	535 582
Non-trading items	28	<b>(1 419 242)</b>	(1 587 631)	-	(2 009)
Interest received	29	<b>348 528</b>	254 063	<b>46 413</b>	34 473
Interest paid	29	<b>(257 864)</b>	(220 731)	-	-
<b>(Loss)/profit before share of associate and joint venture companies' profit</b>		<b>(1 443 316)</b>	(1 130 881)	<b>153 565</b>	568 046
Share of joint venture companies' loss after taxation	5	<b>(224 874)</b>	(120 097)		
Share of associate companies' profit after taxation	6	<b>20 604</b>	72 660		
<b>(Loss)/profit before taxation</b>		<b>(1 647 586)</b>	(1 178 318)	<b>153 565</b>	568 046
Taxation	30	<b>(191 919)</b>	(190 255)	<b>(2 286)</b>	(4 229)
<b>(Loss)/profit for the year</b>		<b>(1 839 505)</b>	(1 368 573)	<b>151 279</b>	563 817
<b>Attributable to:</b>					
Owners of the parent/company		<b>(1 839 725)</b>	(1 365 332)	<b>151 279</b>	563 817
Non-controlling interests		<b>220</b>	(3 241)		
		<b>(1 839 505)</b>	(1 368 573)	<b>151 279</b>	563 817
<b>Loss per share (cents)</b>	31				
Basic		<b>(254.2)</b>	(189.8)		
Diluted**		<b>(254.2)</b>	(189.8)		
Dividends per share (cents)		-	19.6		
	Interim	-	13.6		
	Final	-	6.0		

\* The comparative income statement format has been revised to standardise the disclosure between our announcements and annual financial statements and due to the disclosure of the foreign exchange gains and losses on a net basis as allowed in terms of IAS 1 Presentation of financial statements.

\*\* Diluted loss per share and diluted headline loss per share were calculated on weighted average number of shares due to the anti-dilutive effect of the long-term incentive scheme shares.

# STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>(Loss)/profit for the year</b>	<b>(1 839 505)</b>	(1 368 573)	<b>151 279</b>	563 817
<b>Other comprehensive (loss)/income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	<b>(1 387 904)</b>	3 396 262		
Cash flow hedges	<b>54 636</b>	21 045		
Business combination	<b>3 469</b>	(6 906)		
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Actuarial losses	<b>(2 184)</b>	(45)		
Fair value (loss)/gain arising on available-for-sale investments	<b>(2 420)</b>	1 493		
<b>Total comprehensive (loss)/income for the year</b>	<b>(3 173 908)</b>	2 043 276	<b>151 279</b>	563 817
Total comprehensive (loss)/income attributable to:				
Owners of the parent/company	<b>(3 182 753)</b>	2 054 339	<b>151 279</b>	563 817
Non-controlling interests	<b>8 845</b>	(11 063)		
	<b>(3 173 908)</b>	2 043 276	<b>151 279</b>	563 817





# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Notes	Group		Company	
		2016 R000	2015 R000	2016 R000	2015 R000
<b>OPERATING ACTIVITIES</b>					
Cash receipts from charter hire		1 315 034	721 692		
Cash receipts from freight		4 148 115	4 458 766		
Cash receipts from commodity sales		87 808	480 235		
Interest income from financial institution		742 071	582 849		
Interest expense from financial institution		(585 477)	(460 822)		
Dividend income from financial institution		89 770	81 989		
Corporate and structured finance fee income and other income		254 598	255 436		
Handling revenue		2 719 229	3 370 954		
Other revenue		355 916	401 379	120 366	568 923
Cash receipts from customers		9 127 064	9 892 478	120 366	568 923
Cash payments to suppliers and employees		(8 635 355)	(8 479 859)	(128 121)	(586 477)
Cash generated from/(utilised in) operations	37.1	491 709	1 412 619	(7 755)	(17 554)
Interest received		274 752	210 319	382	546
Interest paid		(257 864)	(219 722)	-	-
Dividends received		142 946	204 585	120 366	541 911
Dividends paid	37.2	(113 495)	(355 581)	(113 801)	(317 360)
Taxation paid	37.3	(110 343)	(188 251)	(2 726)	(7 351)
		427 705	1 063 969	(3 534)	200 192
Net proceeds on disposal of ships		180 843	478 252		
Proceeds on disposal of ships		180 843	158 414		
Refund on ships under construction cancelled		-	319 838		
Capital expenditure on ships	37.4	(368 145)	(198 980)		
<b>Cash flows from operating activities of financial institution</b>					
Advances to customers		(938 880)	(609 161)		
Liquid assets and short-term negotiable securities		(735 335)	(75 706)		
Deposits from customers		3 630 401	2 170 216		
<b>Net cash flows generated from/(utilised in) operating activities</b>		<b>2 196 589</b>	<b>2 828 590</b>	<b>(3 534)</b>	<b>200 192</b>
<b>INVESTING ACTIVITIES</b>					
Property, terminals, vehicles and equipment acquired	37.4	(233 621)	(365 039)		
Acquisition of other investments		(105 636)	(243 688)	(517)	-
Acquisition of subsidiaries, joint ventures and associates	37.5	(32 979)	(20 071)	(50 000)	(676 153)
Acquisition of additional investments in subsidiaries, joint ventures and associates		(11 261)	(287 652)		
Proceeds on disposal of property, terminals, vehicles and equipment		82 873	68 301		
Proceeds from disposal of non-current assets and liabilities held for sale		116 149	-		
Proceeds from disposal of investments	37.6	67 460	(7 542)		
Intangible assets acquired		(25 253)	(26 035)		
Proceeds on disposal of intangible assets		602	1 027		
Loans advanced to joint ventures and associate companies		(644 288)	(264 028)		
Acquisition of preference share capital		(5 367)	(14 650)		
Net receipts from finance lease receivable		11 160	19 931		
Net receipts from subsidiaries				51 528	472 576
<b>Net cash flows (utilised in)/generated from investing activities</b>		<b>(780 161)</b>	<b>(1 139 446)</b>	<b>1 011</b>	<b>(203 577)</b>
<b>FINANCING ACTIVITIES</b>					
Net proceeds from issue of ordinary share capital		-	6 255	-	6 255
Repurchase of ordinary share capital		(8 671)	(25 710)		
Proceeds from disposal of treasury shares		914	366		
Long-term interest-bearing debt raised		821 780	499 225		
Payment of capital portion of long-term interest-bearing debt		(952 600)	(1 459 032)		
Short-term interest-bearing debt (repaid)/raised		(132 726)	51 443		
<b>Net cash flows (utilised in)/generated from financing activities</b>		<b>(271 303)</b>	<b>(927 453)</b>	<b>-</b>	<b>6 255</b>
Net increase/(decrease) in cash and cash equivalents		1 145 125	761 691	(2 523)	2 870
Cash and cash equivalents at beginning of year		8 340 917	7 188 626	5 677	2 807
Difference arising on translation		(191 585)	390 600		
<b>Cash and cash equivalents at end of year</b>	37.7	<b>9 294 457</b>	<b>8 340 917</b>	<b>3 154</b>	<b>5 677</b>

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>Share capital and share premium</b>	<b>5 971 719</b>	5 970 727	<b>6 407 372</b>	6 407 372
Balance at beginning of the year	<b>5 970 727</b>	5 982 924	<b>6 407 372</b>	6 401 117
Share options vested	<b>6 892</b>	6 892		
Treasury shares sold	<b>2 771</b>	366		
Shares issued	-	6 255	-	6 255
Treasury shares acquired	<b>(8 671)</b>	(25 710)		
<b>Preference share capital</b>	<b>2</b>	2	<b>2</b>	2
Balance at beginning of the year	<b>2</b>	2	<b>2</b>	2
<b>Equity compensation reserve</b>	<b>68 513</b>	63 643	<b>17 679</b>	16 771
Balance at beginning of the year	<b>63 643</b>	57 566	<b>16 771</b>	16 885
Share-based payments	<b>11 762</b>	12 969	<b>908</b>	(114)
Share options vested	<b>(6 892)</b>	(6 892)		
<b>Foreign currency translation reserve</b>	<b>4 546 313</b>	6 063 103	-	-
Balance at beginning of the year	<b>6 063 103</b>	2 661 342		
Foreign currency translation realised	<b>(120 261)</b>	(2 323)		
Foreign currency translation adjustments	<b>(1 396 529)</b>	3 404 084		
<b>Other non-distributable reserves</b>	<b>(51 592)</b>	(126 302)	-	-
Balance at beginning of the year	<b>(126 302)</b>	(123 092)		
Financial instrument hedge settlement	<b>53 873</b>	65 483		
Foreign currency translation adjustments	<b>6 006</b>	(22 540)		
Net business combination acquisition	<b>16 605</b>	(17 350)		
Deferred tax effect on cash flow hedge	<b>(6 415)</b>	5 804		
Fair value adjustment on hedging reserve	<b>4 641</b>	(34 607)		
<b>Movement in accumulated profit</b>	<b>5 217 482</b>	7 174 992	<b>7 612 731</b>	7 575 253
Balance at beginning of the year	<b>7 174 992</b>	8 853 554	<b>7 575 253</b>	7 328 796
Fair value gain arising on available-for-sale financial instruments	<b>(2 420)</b>	1 493	-	-
Actuarial loss recognised	<b>(2 184)</b>	(45)	-	-
(Loss)/income for the year	<b>(1 839 725)</b>	(1 365 332)	<b>151 279</b>	563 817
Ordinary dividends paid	<b>(45 211)</b>	(253 537)	<b>(45 753)</b>	(256 219)
Preference dividends paid	<b>(67 970)</b>	(61 141)	<b>(68 048)</b>	(61 141)
<b>Total interest of shareholders of the company</b>	<b>15 752 437</b>	19 146 165	<b>14 037 784</b>	13 999 398
<b>Equity attributable to non-controlling interests of the company</b>	<b>48 919</b>	(6 274)	-	-
Balance at beginning of the year	<b>(6 274)</b>	48 185		
Foreign currency translation adjustments	<b>8 625</b>	(7 822)		
Business acquisitions	-	-		
Non-controlling interests acquired	<b>49 860</b>	(1 494)		
Profit/(loss) for the year	<b>220</b>	(3 241)		
Dividends paid	<b>(3 512)</b>	(41 902)		
<b>Total equity attributable to all shareholders of the company</b>	<b>15 801 356</b>	19 139 891	<b>14 037 784</b>	13 999 398



# SEGMENTAL ANALYSIS

for the year ended 31 December 2016

The information reported to the chief operating decision maker has been provided in the following segments, namely Shipping, Freight Services, Financial Services and Group. These divisions are the basis on which the group reports its primary segment information.

Freight Services integrates group infrastructure and logistics and freight-agency services to move dry-bulk and liquid-bulk commodities, vehicles and containers along import/export corridors mainly within the African continent.

Shipping operates a diversified fleet of owned, long-term chartered and joint-venture dry-bulk, liquid-bulk, container and bunker vessels across the world, complemented by the supply of marine fuel and lubricants.

The Financial Services division provides niche investment, asset management, loan finance and retail services through Grindrod Bank and Bridge Fund Managers.

## Business segments

	Freight Services	
	2016 R000	2015 R000
Revenue – external	<b>3 846 303</b>	5 059 813
Revenue – internal	<b>95 215</b>	128 876
Trading profit/(loss) (excluding amortisation)	<b>458 356</b>	837 685
Depreciation and amortisation	<b>(368 465)</b>	(399 157)
Operating profit/(loss)	<b>89 891</b>	438 528
Non-trading items	<b>(1 173 146)</b>	(339 937)
Share of associate companies' profit after taxation	<b>20 604</b>	71 879
Segment result excluding net interest and taxation	<b>(1 062 651)</b>	170 470
Interest received	<b>170 242</b>	89 055
Interest paid	<b>(228 195)</b>	(191 601)
Taxation	<b>(117 606)</b>	(147 429)
(Loss)/profit for the year	<b>(1 238 210)</b>	(79 505)
Non-controlling interest shareholders	<b>18 859</b>	(7 264)
(Loss)/profit attributable to shareholders	<b>(1 219 351)</b>	(86 769)
Preference dividends	<b>(20 505)</b>	(22 225)
(Loss)/profit attributable to ordinary shareholders	<b>(1 239 856)</b>	(108 994)
Capital expenditure	<b>349 330</b>	506 918
Total segment assets	<b>8 675 574</b>	11 474 159
Segment assets excluding investments in associates	<b>7 192 641</b>	9 711 190
Investments in associates	<b>1 482 933</b>	1 762 969
Segment liabilities	<b>(3 988 371)</b>	(4 829 506)

Shipping		Financial Services	
2016	2015	2016	2015
R000	R000	R000	R000
<b>20 585 634</b>	22 058 351	<b>492 216</b>	452 756
<b>13 274</b>	4 835	<b>(1 018)</b>	8 542
<b>(82 999)</b>	662 177	<b>303 213</b>	255 011
<b>(476 620)</b>	(492 704)	<b>(5 901)</b>	(4 693)
<b>(559 619)</b>	169 473	<b>297 312</b>	250 318
<b>(239 234)</b>	(1 549 787)	-	-
-	-	-	-
<b>(798 853)</b>	(1 380 314)	<b>297 312</b>	250 318
<b>32 122</b>	24 813	-	-
<b>(135 708)</b>	(111 275)	<b>(29 356)</b>	(14 143)
<b>(25 972)</b>	(28 898)	<b>(47 648)</b>	(34 968)
<b>(928 411)</b>	(1 495 674)	<b>220 308</b>	201 207
-	-	<b>(6 153)</b>	(5 603)
<b>(928 411)</b>	(1 495 674)	<b>214 155</b>	195 604
-	-	<b>(43 149)</b>	(30 942)
<b>(928 411)</b>	(1 495 674)	<b>171 006</b>	164 662
<b>770 290</b>	804 575	<b>6 547</b>	22 238
<b>10 144 104</b>	12 430 884	<b>16 649 572</b>	12 400 803
<b>10 144 104</b>	12 430 884	<b>16 649 572</b>	12 400 803
-	-	-	-
<b>(5 100 408)</b>	(5 810 067)	<b>(15 267 144)</b>	(11 164 756)



# SEGMENTAL ANALYSIS

continued

for the year ended 31 December 2016

## Business segments

## Group

	2016 R000	2015 R000
Revenue – external	6 389	424 499
Revenue – internal	–	–
Trading (loss)/profit (excluding amortisation)	11 851	(7 415)
Depreciation and amortisation	(176)	(4 744)
Operating (loss)/profit	11 675	(12 159)
Non-trading items	(33 862)	(99 563)
Share of associate companies' profit/(loss) after taxation	–	–
Segment result excluding net interest and taxation	(22 187)	(111 722)
Interest received	175 141	168 862
Interest paid	(19 398)	(19 125)
Taxation	(23 150)	(25 012)
(Loss)/profit for the year	110 406	13 003
Non-controlling interest shareholders	(16 524)	8 504
Profit/(loss) attributable to shareholders	93 882	21 507
Preference dividends	(4 316)	(7 974)
Profit/(loss) attributable to ordinary shareholders	89 566	13 533
Capital expenditure	930	19 811
Total segment assets	3 590 628	4 222 799
Segment assets excluding investments in associates	3 590 628	4 222 799
Investments in associates	–	–
Segment liabilities*	1 112 112	425 167

\* Adjustments relate to amounts lent to divisions by Group but are treated as external debt for segmental purposes.

<b>Total group</b>					
2016			2015		
Total R000	Adjustments R000	Total R000	Total R000	Adjustments R000	Total R000
24 930 542	(15 898 759)	9 031 783	27 995 419	(17 803 050)	10 192 369
107 471	-	107 471	142 253	-	142 253
690 421	(221 098)	469 323	1 747 458	(648 558)	1 098 900
(851 162)	267 101	(584 061)	(901 298)	225 816	(675 482)
(160 741)	46 003	(114 738)	846 160	(422 742)	423 418
(1 446 242)	27 000	(1 419 242)	(1 989 287)	401 656	(1 587 631)
20 604	(224 874)	(204 270)	71 879	(119 316)	(47 437)
(1 586 379)	(151 871)	(1 738 250)	(1 071 248)	(140 402)	(1 211 650)
377 505	(28 977)	348 528	282 730	(28 667)	254 063
(412 657)	154 793	(257 864)	(336 144)	115 413	(220 731)
(214 376)	22 457	(191 919)	(236 307)	46 052	(190 255)
(1 835 907)	(3 598)	(1 839 505)	(1 360 969)	(7 604)	(1 368 573)
(3 818)	3 598	(220)	(4 363)	7 604	3 241
(1 839 725)	-	(1 839 725)	(1 365 332)	-	(1 365 332)
(67 970)	-	(67 970)	(61 141)	-	(61 141)
(1 907 695)	-	(1 907 695)	(1 426 473)	-	(1 426 473)
1 127 097	(450 470)	676 627	1 353 542	(440 500)	913 042
39 059 878	(2 883 638)	36 176 240	40 528 645	(4 071 880)	36 456 765
37 576 945	(2 252 930)	35 324 015	38 765 676	(3 231 261)	35 534 415
1 482 933	(630 708)	852 225	1 762 969	(840 619)	922 350
(23 243 811)	2 868 927	(20 374 884)	(21 379 162)	4 062 288	(17 316 874)



# SEGMENTAL ANALYSIS

continued

for the year ended 31 December 2016

Joint venture earnings are reviewed together with subsidiaries by the key decision-makers. Segmental adjustments relate to joint ventures and are necessary to reconcile to IFRS presentation.

The group's four divisions operate in seven principal geographical areas – North America/Bermuda, South America, the Middle East, United Kingdom/Europe/Isle of Man, Singapore/Asia/Far East/Australia and southern Africa. Refer to divisional report in the integrated annual report for detail on the various regions.

## Geographic segments

	North America/ Bermuda	
	2016	2015
	R000	R000
Revenue – external	<b>1 583 675</b>	554 391
Profit/(loss) attributable to ordinary shareholders	<b>(26 560)</b>	8 024
Capital expenditure	-	-
Segment assets	<b>273 416</b>	259 745

## Geographic segments

	Singapore/Asia/ Far East/Australia	
	2016	2015
	R000	R000
Revenue – external	<b>9 980 447</b>	16 349 724
(Loss)/profit attributable to ordinary shareholders	<b>(1 093 188)</b>	(1 802 966)
Capital expenditure	<b>760 054</b>	782 356
Segment assets	<b>9 306 540</b>	7 741 728

## Geographic segments

	Total group	
	2016	2015
	R000	R000
Revenue – external	<b>24 930 543</b>	27 995 419
Loss attributable to ordinary shareholders	<b>(1 907 696)</b>	(1 426 473)
Capital expenditure	<b>1 127 097</b>	1 353 542
Segment assets	<b>39 059 879</b>	40 528 645

South America		Middle East		United Kingdom/ Europe/Isle of Man	
2016	2015	2016	2015	2016	2015
R000	R000	R000	R000	R000	R000
<b>111 060</b>	840 394	<b>5 761 798</b>	277 451	<b>1 821 903</b>	2 178 381
<b>(47 434)</b>	(7 319)	<b>(141 293)</b>	(45 487)	<b>5 656</b>	25 196
-	-	-	-	-	-
<b>49 027</b>	81 999	<b>544 179</b>	1 076 494	<b>521 915</b>	1 507 890

Rest of Africa		South Africa	
2016	2015	2016	2015
R000	R000	R000	R000
<b>1 244 734</b>	2 219 438	<b>4 426 926</b>	5 575 640
<b>131 089</b>	(99 436)	<b>(735 966)</b>	495 515
<b>138 846</b>	184 322	<b>228 197</b>	386 864
<b>2 550 736</b>	6 655 432	<b>25 814 066</b>	23 205 357





# ACCOUNTING POLICIES

for the year ended 31 December 2016

## BASIS OF PREPARATION

### Accounting framework

The consolidated and separate financial statements (annual financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS), and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council using the historical cost basis except for certain financial instruments and investment properties that are stated at fair value. The annual financial statements comply with the JSE Limited Listing Requirements and the Companies Act of South Africa, 2008.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1 to the annual financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated annual financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventory* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Underlying concepts

The annual financial statements are prepared on the going concern basis using accrual accounting.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standards. If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively.

Changes in accounting estimates are recognised in profit or loss. Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

### Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the group and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the entity and the cost or fair value can be measured reliably.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

### Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has been discharged, cancelled or expired.

## Foreign currencies

The functional currency of each entity is determined based on the currency of the primary economic environment in which that entity operates. Transactions in currencies other than the entity's functional currency are recognised at the rates of exchange ruling on the date of the transaction.

Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

The annual financial statements of entities within the group whose functional currencies are different to the group's presentation currency, which is South African rand, are translated as follows:

- assets, including goodwill, and liabilities at exchange rates ruling on the statement of financial position date;
- income items, expense items and cash flows at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the material transactions are used; and
- equity items at the exchange rate ruling when they arose.

Resulting exchange differences are recognised in other comprehensive income and accumulated in equity. On disposal of such a business unit, this reserve is recognised in profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

## Segmental reporting

Segment accounting policies are consistent with those adopted for the preparation of the group annual financial statements.

The principal segments of the group have been identified on a primary basis by business segment which is representative of the internal reporting used for management purposes, including the chief operating decision maker, as well as the source and nature of business risks and returns.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, and consist principally of ships, property, terminals, vehicles and equipment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All intra-segment transactions are eliminated on consolidation.

## Events after the reporting period date

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting period date that provide additional evidence of conditions that existed at such date. Events after the reporting period date that are indicative of conditions that arose after the reporting period date are dealt with by way of a note.

## Comparative figures

Comparative figures are restated in the event of a change in accounting policy or a prior period error.



# ACCOUNTING POLICIES

## continued

for the year ended 31 December 2016

### COMPANY ANNUAL FINANCIAL STATEMENTS

#### Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures in the separate annual financial statements presented by the company are recognised at cost less impairments.

### CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

#### Interests in subsidiaries

The consolidated annual financial statements incorporate the assets, liabilities, income, expenses and cash flows of the company and all entities controlled by the company (its subsidiaries) as if they were a single economic entity. Control is obtained by a company if it has power over the acquired entity, it has exposure or rights to variable returns from its involvement with the acquired entity and it has the ability to use its power over the acquired entity to affect the amount of the entity's returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the annual financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All material inter-company balances and transactions are eliminated. Foreign currency transaction reserves are not reversed against the carrying amount of the respective asset relating to inter-company transactions with entities of differing functional currencies.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately from the group equity therein. It consists of the amount of those interests at acquisition plus the non-controlling interests' subsequent share of changes in equity of the subsidiary. On acquisition, the non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interests are considered to be equity participants and all transactions with non-controlling interests' are recorded directly within equity.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company. Any subsequent changes to the group's ownership interests in subsidiaries are released directly to accumulated profit.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

When a business combination is achieved in stages, the group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The group accounting policy relating to the treatment of restructure reserves and business combination reserves where a partial disposal of an investment occurs is that such reserves will be proportionally transferred.

Upon loss of control of a subsidiary, a parent derecognises the assets and liabilities of the subsidiary in full and measures any investment retained in the former subsidiary at its fair value. A re-measurement gain or loss, that forms part of the total gain or loss on the disposal of the subsidiary, is recognised in profit or loss.

### Interests in associate companies

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture or joint operation. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The consolidated annual financial statements incorporate the assets, liabilities, income and expenses of associates using the equity method of accounting from the acquisition date to the disposal date, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Losses of associates in excess of the group's interest are only recognised to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Goodwill arising on the acquisition of associates is accounted for in accordance with the accounting policy for goodwill as set out on ► page 29, but is included in the carrying amount of the associate.

### Interests in joint ventures

A joint arrangement is either a joint operation or a joint venture, with a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method of accounting.

Where a group entity transacts with an associate or a joint venture of the group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the group's consolidated annual financial statements only to the extent of interests in the associate or joint venture that are not related to the group.

The requirements of IAS 39 *Financial instruments; Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.



# ACCOUNTING POLICIES

## continued

for the year ended 31 December 2016

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former associate or joint venture, and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture has directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

### Insurance cell captive

The group has determined that it does not have control of its insurance cell captive arrangement as the current insurance legislative framework regards all the assets and liabilities in the cell as that of the insurer. Therefore the cell captive is not considered to be a silo in accordance with IFRS 10 *Consolidated Financial Statements*. The group has therefore not consolidated the cell captive. The group is exposed to financial risk rather than insurance risk and has therefore accounted for its investment in the cell captive as an available-for-sale financial asset in accordance with IAS 39 *Financial Instruments*.

## FINANCIAL STATEMENT ITEMS

### Statement of financial position

#### Ships, property, terminals, vehicles and equipment

Ships are measured at cost less accumulated depreciation and any impairment losses. Cost comprising acquisition costs and costs directly related to the acquisition up until the time when the asset is ready for use, include interest expense incurred during the period. The market average useful life of a ship is estimated to range from 25 to 30 years at which point it would usually be scrapped. The group maintains a young fleet compared to the market average and estimates useful life as 15 years from date of delivery for new ships. Ships are depreciated on the straight-line basis to an estimated residual value over their useful lives to the group. Borrowing costs incurred in the financing of the acquisition of ships prior to their delivery are capitalised to the cost of the ships.

From time to time the group's vessels are required to be dry-docked for inspection and re-licensing at which time major repairs and maintenance that cannot be performed while the vessels are in operation are generally performed. The group capitalises the costs associated with dry-docking as they occur by adding them to the cost of the vessel and amortises these costs on the straight-line basis over three to five years, which is generally the period until the next scheduled dry-docking.

In cases where dry-docking takes place earlier than five years since the previous one, the carrying amount of the previous dry-docking is derecognised. In the event of a vessel sale, the respective carrying values of dry-docking costs are derecognised together with the vessel's carrying amount at the time of sale. At the date of acquisition of a vessel, management estimates the component of the cost that corresponds to the economic benefit to be derived until the next scheduled dry-docking of the vessel under the ownership of the group, and this component is depreciated on the straight-line basis over the remaining period to the estimated dry-docking date.

Terminals, machinery, vehicles and equipment are reflected at cost and are depreciated over their estimated useful lives to estimated residual values, on the straight-line basis as follows:

Locomotives	15 years
Terminals and machinery	5 – 20 years
Information technology equipment	3 – 5 years
Vehicles	3 – 10 years

Depreciation commences when the assets are ready for their intended use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

Assets that are held for rental are initially classified as ships, property, terminals, vehicles and equipment. When these assets cease to be rented and a decision is made to sell these assets, the carrying amount is transferred to current assets (inventories) as 'held-for-sale'. Upon sale of the 'held-for-sale' assets, the sales value is recorded in gross revenue and the related carrying value of these assets recorded in cost of sales.

Freehold land is reflected at cost and not depreciated. Buildings are reflected at cost and depreciated to estimated residual value over their useful life to the group, currently estimated at 20 years from the date of acquisition. Where the estimated residual value exceeds the cost, depreciation is not provided.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Expenditure relating to leasehold properties is capitalised and depreciated over the period of the lease, or 25 years, whichever is the lesser period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Investment properties**

Investment properties are properties held to earn rentals and/or capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### **Intangible assets**

#### *Goodwill*

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous SA GAAP (South African Generally Accepted Accounting Practice) amounts subject to being tested for impairment at that date.

If, on a business combination, the fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, this excess is recognised in profit or loss immediately.



# ACCOUNTING POLICIES continued

for the year ended 31 December 2016

## **Other intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. It includes purchased long-term contracts, and certain costs of purchase and installation of major information systems (including packaged software).

Intangible assets acquired separately are initially recognised at cost or at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, they are not amortised but tested for impairment annually and impaired, if necessary. If assessed as having a finite useful life, they are amortised over the useful life using the straight-line basis, and tested for impairment if there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## **Deferred taxation assets and liabilities**

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the annual financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for taxable temporary differences, unless specifically exempt.

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

## **Loans and advances**

Advances designated as loans and receivables are recognised at amortised cost using the effective interest method less any impairment. Fixed rate advances which have been hedged are held at fair value through profit or loss and are remeasured to fair value through profit or loss at each subsequent reporting date.

Exposures are considered past due where the facility has expired and the Bank is not considering renewal of the facility or where expected cash flows on the facility are more than one month in arrears. Past due exposures are considered impaired and a specific provision/impairment amount is raised based on the carrying amount less the expected realisable value of the security held, but as a minimum the amount should be equivalent to the regulatory requirement.

Advances are assessed for indicators of impairment, and impairments are accounted for when there is objective evidence that the estimated future cash flows from the assets/advances have been negatively impaired by events occurring subsequent to initial recognition. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Advances considered to be irrecoverable are written off to the extent that the loss can be reliably measured.

Minimum funding requirements are recognised as an asset in the form of prepaid minimum funding contributions.

### Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal group are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

Immediately prior to being classified as held for sale, the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale, an asset is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

### Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories which include merchandise, bunkers on board ships and other consumable stores are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost is determined on a weighted average or first-in, first-out basis. Spares on board ships are charged against income when issued to the ships.

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

Agricultural and other commodities are valued at fair value less costs to sell. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

### Financial assets

A financial asset is an asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets designated as held at fair value through profit or loss are expensed.

Investments classified as held-to-maturity financial assets are measured at amortised cost, using the effective interest method, less any impairment losses recognised to reflect irrecoverable amounts.

Financial assets are accounted for at fair value through profit or loss where the financial asset is either classified as held for trading or is designated as held at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity.

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.





# ACCOUNTING POLICIES continued

for the year ended 31 December 2016

Listed redeemable notes held by the group that are traded in an active market are classified as held for trading and are stated at fair value at the end of each reporting period. The group also has investments in unlisted shares that are not traded in an active market but that are also classified as available-for-sale financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Investment banking portfolio assets are classified as held for trading and are recognised on a settlement basis. These investments are initially measured at cost, including transaction costs, and are re-measured to fair value at each subsequent reporting date. Changes in fair value are recognised in profit or loss when they arise.

Trade and other receivables are classified as loans and receivables and are measured at amortised cost, using the effective interest method, less provision for doubtful debts, which is determined as set out under impairment of assets below. Items with extended terms are initially recorded at the present value of future cash flows and interest income is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

Other investments are classified as available-for-sale financial assets. These investments are carried at fair value with any gains or losses being recognised through the statement of comprehensive income and accumulated in equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Derivatives that are assets are measured at fair value, with changes in fair value being included in profit or loss other than derivatives designated as cash flow hedges. Derivative assets at fair value are classified as non-current assets if the remaining maturities of the instruments are more than, and they are not expected to be realised within, 12 months.

Cash and cash equivalents are measured at fair value.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## Financial liabilities

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial liabilities are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial liabilities designated as held at fair value through profit or loss are expensed.

Financial liabilities are accounted for at fair value through profit or loss where the financial liability is either held for trading, or it is designated as held at fair value through profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item.

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities held at fair value through profit or loss or classified as held for trading are measured at amortised cost, using the effective interest method. Items with extended terms are initially recorded at the present value of future cash flows. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the accounting policy for borrowing costs.

Non-derivative financial liabilities that are designated on initial recognition as financial liabilities held at fair value through profit or loss or classified as held for trading are measured at fair value, with changes in fair value being included in net profit or loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not designated as held at fair value through profit or loss.

Financial liabilities extinguished with equity instruments will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

#### **Post-employment benefit obligations**

The group operates a defined benefit pension plan as well as two defined contribution provident funds.

Current contributions to the group's defined contribution funds are charged against income when incurred. The cost of providing benefits to the group's defined benefit plan and the obligation in respect of post-retirement medical aid are determined and provided using the projected unit credit actuarial valuation method. Contribution rates to the defined benefit plan are adjusted for any unfavourable experience adjustments. Favourable experience adjustments are retained within the fund. Actuarial surpluses are brought to account in the group's annual financial statements only when it is clear that economic benefits will be available to the group.

The group's estimated liability in respect of post retirement medical benefits has been fully provided in the statement of financial position.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Provisions**

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Onerous contracts**

Full provision is made for the present obligations of the unavoidable future costs of fulfilling the terms of onerous ship charter contracts or contracts of affreightment to which the group is committed.

#### **Contingent liabilities acquired in a business combination**

Contingent liabilities acquired in a business combination are recognised if the present obligation from past events and fair value can be reliably measured. After initial recognition and until the liability is settled, cancelled or expires the acquirer shall measure the contingent liability recognised in a business combination at the higher of the amount that would be recognised in terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

#### **Equity**

Debt and equity instruments are classified as either financial liabilities or as equity, based on the substance of the contractual arrangement. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the annual financial statements provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.



# ACCOUNTING POLICIES

## continued

for the year ended 31 December 2016

### Income statement

#### Revenue

Revenue represents the gross inflow of economic benefits during the period arising in the course of the ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Included in revenue are net invoiced sales to customers for goods and services, ship sales, freight, charter hire, handling fee revenue, commission and financial institution interest and fee income.

Revenue is measured at the fair value of the consideration received or receivable. Cash and settlement discounts, rebates, value added taxation and other indirect taxes are excluded from revenue. Where extended terms are granted, interest income is accounted for over the term until payment is received.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Charter hire is recognised on a daily accrual basis. Freight revenue is recognised on completion of the voyage and for uncompleted voyages at year-end on the percentage of completion basis. Results of uncompleted voyages are included based on the estimated voyage result and the voyage time elapsed. Anticipated losses for contracts arising on uncompleted voyages are provided in full.

Where the group acts as agent and is remunerated on a commission basis, only the commission is included in revenue. Where the group acts as principal, the total value of business handled is included in revenue.

Fee income earned on origination of advances is deferred and recognised on a yield to maturity basis over the average life of the relevant advances. Where the receipt of knowledge based fee income is deferred by contractual agreement the present value of the fee income is recognised upfront and the accretion is recognised over the duration of the contractual receipt.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is recognised on a time proportion basis which takes into account the effective yield on the asset. Interest income includes the amount of amortisation of any discount or premium.

Ship and locomotive sales are recognised when the significant risks and rewards of ownership have been transferred to the buyer.

#### Cost of sales

When inventories and 'held-for-sale' inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

#### Employee benefit costs

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees.

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

The group operates a share option scheme. The proceeds on share options are credited to share capital when exercised.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service costs, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The group presents service cost and net interest expense or income in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The employee benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

#### **Borrowing costs**

Borrowing costs (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

#### **Non-trading items**

Non-trading items cover those amounts that are not considered to be of an operating/trading nature, and generally include re-measurements due to:

- impairments of goodwill and non-current assets;
- gains and losses on the measurement to fair value less costs to sell (or on the disposal) of assets or disposal groups constituting discontinued operations;
- gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale;
- gains and losses on the disposal of property, terminals, vehicles and equipment;
- recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency;
- recycling through profit or loss of fair value gains and losses previously recognised directly in equity upon the disposal of available-for-sale financial assets and the realisation of hedges of a net investment in a foreign operation; and
- the group's proportionate share of exceptional items (determined on the same basis) of associates and joint ventures.

Re-measurements to fair value of other financial instruments (including amounts recycled through profit or loss under cash flow hedges that were previously recognised directly in equity) are not included in non-trading items.

#### **Taxation**

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income.

Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

#### **Transactions and events**

##### **Hedge accounting**

If a fair value hedge meets the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in profit or loss.

If a cash flow hedge meets the conditions for hedge accounting the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the statement of comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses accumulated in equity are transferred to income in the same period in which the asset or liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.



# ACCOUNTING POLICIES continued

for the year ended 31 December 2016

If a hedge of a net investment in a foreign entity meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. On disposal of a foreign entity, the gain or loss accumulated in equity is transferred to profit or loss.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

## Derivatives

The group enters into derivative financial instruments in order to manage its exposure to interest rate and foreign exchange rate risk which have a cash flow impact. This includes forward exchange contracts, cross currency and interest rate swaps, futures, options and forward freight swap agreements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured to their fair value at each reporting date. The resultant gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

## Impairment of assets

At each reporting date the carrying amount of tangible and intangible assets is assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use, included in the calculation of the recoverable amount, is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. The impairment loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash-generating unit. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on financial assets as well as trade and other receivables are determined based on specific and objective evidence that assets are impaired and are measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Goodwill and intangible assets with indefinite useful lives or which are not available for use and the cash-generating units to which these assets have been allocated, are tested for impairment annually even if there is no indication of impairment. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination at inception of the combination. Impairment losses recognised on goodwill are not subsequently reversed. The attributable amount of goodwill is included in the profit or loss on disposal when the related business is sold.

## Leasing

### Classification

Leases are classified as finance leases, whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, or operating leases at the inception of the lease.

***In the capacity of a lessor***

Amounts due from lessees under a finance lease are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

***In the capacity of a lessee***

Finance leases are recognised as assets and liabilities of the group at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to profit or loss over the term of the lease and at interest rates applicable to the lease on the remaining balance of the obligations, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

**Government grants**

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

**Discontinued operations**

The results of discontinued operations are presented separately in the income statement and the assets and liabilities associated with these operations are included with non-current assets held for sale in the statement of financial position.

**Share-based payments*****Equity-settled share options***

Executive directors, senior executives and other employees have been granted equity-settled share options in terms of the Grindrod Limited Share Option Scheme and the Grindrod Limited Forfeitable Share Plan (FSP).

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant and recognised in profit or loss on the straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using a binomial pricing model.

***Cash-settled share-based payments***

Share appreciation rights granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss immediately or, if vesting requirements are applicable, over the vesting period. The liability is remeasured annually until settled and any changes in value are recognised in profit or loss. Fair value is measured using a binomial pricing model.

**Treasury shares**

Treasury shares are equity instruments of the company, held by other members of the consolidated group.

All costs relating to the acquisition of treasury shares as well as gains or losses on disposal or cancellation of treasury shares are recognised directly in equity.

**Financial guarantee contracts**

Financial guarantee contracts are accounted for in terms of IFRS 4 *Insurance Contracts* and are measured initially at cost and thereafter, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

## 1. JUDGEMENTS MADE BY MANAGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR

### 1.1 Judgements made by management and key sources of estimation uncertainty

Preparing annual financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Key assumptions concerning the future, and other key sources of estimation uncertainty have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Certain accounting policies and key sources of estimation uncertainty have been identified as involving particularly complex or subjective judgements or assessments, as follows:

#### Asset lives and residual values

Property, terminals, vehicles and equipment are depreciated over their estimated useful life taking into account estimated residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

Shipping maintains a young fleet of ships and generally aims to replace ships that are 15 years or older. As a result, ships are depreciated over 15 years to the expected residual value of a ship of a similar age and specification. Management reassess the depreciation period of ships that surpass this limit with special consideration of the condition of the vessel and the purpose for which the ship was retained in the fleet. The estimated life is considered at each reporting date.

Residual values of the ships are reassessed by management at each reporting date based on the current shipping markets and the movement of the markets over the previous five years, the age of the vessel, the specifications and the condition of the ship. The current market related scrap values for demolitions in the Far East and India are used for older ships.

#### Deferred taxation assets

Deferred taxation assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Three-year business plans are prepared annually and approved by the boards of the company and its major operating subsidiaries. These plans include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

The plans contain profit forecasts and cash flows which are utilised in the assessment of the recoverability of deferred taxation assets.

Management also exercises judgement in assessing the likelihood that business plans will be achieved and that the deferred taxation assets are recoverable.

#### Impairment of assets

##### *Intangible assets and investments*

Goodwill and intangible assets with indefinite useful lives are considered for impairment at least annually.

The recoverable amount of the assets reviewed for impairment is determined based on value-in-use calculations. Projected cash flows for these calculations are extracted from formal three-year business plans which are updated annually and approved by the board of directors.

Key assumptions used include expected revenue, working capital changes, future capital expenditure, economic growth, interest rates, inflation, and current and future market conditions. The discount rate calculations are derived using the relevant cash-generating units' weighted average cost of capital and takes into account both the cost of equity and cost of debt. The cost of equity is determined based on a risk-free rate adjusted for an equity risk premium and an industry specific beta. The cost of debt is based on target gearing ratios. The present value of these cash flows is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

Where necessary, cash flow projections are revised to reflect changes in assumptions or market conditions identified subsequent to the finalisation of the budget process. Management performs a sensitivity analysis on various inputs in the valuation models to assess whether any changes in inputs result in any impairment of assets.

In the current year the group impaired investments in joint ventures by R141.0 million (2015: 461.0 million). The carrying value of the intangible assets, investments in joint ventures and associates is disclosed in notes 3, 5 and 6 respectively.

## 1. JUDGEMENTS MADE BY MANAGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (CONTINUED)

### 1.1 Judgements made by management and key sources of estimation uncertainty (continued)

#### Impairment of property, terminals, vehicles and equipment

Property, terminals, vehicles and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself, past performance and current market conditions. The carrying value of property, terminals, vehicles and equipment is disclosed in note 2.

#### Impairment of ships

Ships (owned and leased) and ships under construction are considered for impairment annually.

Management measures the recoverability of an asset by comparing its carrying amount against its recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and value in use, which is the future cash flows that the ships are expected to generate from charter hire of the ships and the expected running costs thereof over its remaining useful life, with a cash inflow in the final year equal to the residual value of the ships. The future cash flows are discounted to their present value using an appropriate discount rate to reflect the time value of money. If the ship is considered to be impaired, an impairment loss is recognised to an amount in excess of the carrying value of the asset over its recoverable amount. The carrying value of ships is disclosed in note 2.

#### Significant joint arrangements

Refer to note 5 for list of significant joint arrangements.

Management assesses contractual agreements in determining the classification of its joint arrangements. Under contractual agreements, where neither party has the right to unilaterally control the company or unanimous consent is required for all decisions made with regards to the relevant activities of the company, such entities are classified as joint ventures.

#### Associates

Associates are those entities in which the group has a significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity and where decisions about the relevant activities do not require unanimous consent of the parties.

#### Fair value measurements and valuation processes

Some of the group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or liability, the group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 7 and 40.

#### Onerous contract provisions

Full provision is made for the present obligations of the unavoidable future costs of fulfilling the terms of onerous ship charter contracts or contracts of affreightment to which the group is committed. Note 23 provides more detail on these provisions.

Management has estimated the onerous contract provisions based on the present value of the future charter payments that the group is expected to make under non-cancellable onerous operating charter agreements and contracts of affreightment, less charter revenue expected to be earned on the charter. The estimate is very sensitive to changes in the freight rates.





# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 1. JUDGEMENTS MADE BY MANAGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (CONTINUED)

### 1.1 Judgements made by management and key sources of estimation uncertainty (continued)

#### Post-employment benefit obligations

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, discount rates, expected long-term rate of return of retirement plan assets, healthcare inflation cost and rates of increase in compensation costs.

Judgement is exercised by management, assisted by advisors, in adjusting mortality rates to take account of actual mortality rates within the schemes.

#### Percentage completion of voyages

The stage of completion of a voyage is determined by calculating the total number of actual days from the loading of the cargo at the commencement of a voyage to the period end, divided by the total estimated number of days from loading to discharging the cargo.

The duration of a voyage depends on the size of the vessel being loaded, cargo type and quantity, vessel speed as well as delays occasioned by weather or due to congestion at load or discharge ports.

#### Valuations of forward freight agreements (FFAs)

The FFAs are valued by comparing the strike price of the instrument against the estimated market spot earnings for the period that the instrument has been contracted. Management makes use of projected market earnings from reliable shipping brokers in order to assess the expected profits or losses from the transaction. Note 40 provides more detail.

### 1.2 New and revised IFRSs applied with no material effect on the annual consolidated financial statements

The following new and revised IFRSs have been adopted in these annual financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendment to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2014 – 2016 Cycle</i>

### 1.3 New and revised IFRSs in issue but not yet effective

The group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IAS 12	<i>Income Taxes<sup>1</sup></i>
IFRS 9	<i>Financial Instruments<sup>2</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
IFRS 16	<i>Leases<sup>3</sup></i>

#### IAS 12 *Income Taxes*

Recognition of Deferred Tax Assets for Unrealised Losses

IAS 12 *Income Taxes* has been amended to clarify the following aspects:

- unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- the carrying amount of an asset does not limit the estimation of probable future taxable profits.
- estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- an entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The directors of the company anticipate that the application of IAS 12 in the future may have a material impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IAS 12 until the group undertakes a detailed review.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

## 1. JUDGEMENTS MADE BY MANAGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (CONTINUED)

### 1.3 New and revised IFRSs in issue but not yet effective (continued)

#### IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the group undertakes a detailed review.



# NOTES TO THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2016

## 1. JUDGEMENTS MADE BY MANAGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (CONTINUED)

### 1.3 New and revised IFRSs in issue but not yet effective (continued)

#### **IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

#### **IFRS 15 Revenue from Contracts with Customers**

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Further to the above IFRS 15 *Revenue from Contracts with Customers* has been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.<sup>2</sup>

The directors of the company anticipate that the application of IFRS 15, including the above amendment, in the future may have a material impact on the amounts reported and disclosures made in the group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the group performs a detailed review.

#### **IFRS 16 Leases**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The directors of the company anticipate that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the group undertakes a detailed review.

## 1. JUDGEMENTS MADE BY MANAGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (CONTINUED)

### 1.3 New and revised IFRSs in issue but not yet effective (continued)

#### Annual Improvements to IFRSs 2014 – 2016 Cycle and other Amendments

The annual improvements make amendments to the following standards:

- IFRS 1 – Removes the short-term exemptions in paragraphs E3–E7 of IFRS 1, as they are no longer required.<sup>2</sup>
- IFRS 12 – Clarifies the scope of the standard by specifying the disclosure requirements in the standard applicable to an entity's interests classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.<sup>1</sup>
- IAS 28 – Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.<sup>2</sup>

#### Other amendments

##### *Amendments to IAS 1 Disclosure Initiative<sup>1</sup>*

IAS 7 *Statement of Cash Flows* has been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

##### *Amendments to IAS 40 Investment Property<sup>2</sup>*

IAS 40 *Investment Property* has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

##### *Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions<sup>2</sup>*

IFRS 2 *Share-based Payment* has been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The directors of the company do not anticipate that the application of these amendments will have a significant impact on the group's consolidated financial statements.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018



# NOTES TO THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2016

	Cost/ valuation	Accumulated depreciation, amortisation and impairment	Group	
			2016 R000	2015 R000
			Carrying value	Carrying value
<b>2 SHIPS, PROPERTY, TERMINALS, MACHINERY, VEHICLES AND EQUIPMENT</b>				
<b>Freehold and leasehold properties</b>				
Opening balance	1 039 902	(209 074)	<b>830 828</b>	701 734
Translation (loss)/gain	(27 609)	5 816	<b>(21 793)</b>	48 840
Reclassification	40 671	766	<b>41 437</b>	136 347
Additions and improvements	11 065	–	<b>11 065</b>	14 028
Acquisition of businesses	11 152	–	<b>11 152</b>	–
Disposal of business	–	–	<b>–</b>	(39 298)
Disposals	(5 578)	175	<b>(5 403)</b>	(922)
Depreciation and amortisation	–	(34 561)	<b>(34 561)</b>	(29 901)
Transferred to non-current assets classified as held for sale	(19 277)	2 833	<b>(16 444)</b>	–
Closing balance	1 050 326	(234 045)	<b>816 281</b>	830 828
<b>Ships</b>				
Opening balance	8 268 508	(3 508 729)	<b>4 759 779</b>	4 807 541
Translation (loss)/gain	(858 746)	298 951	<b>(559 795)</b>	1 548 226
Additions	56 237	–	<b>56 237</b>	80 006
Depreciation and amortisation	–	(295 677)	<b>(295 677)</b>	(340 777)
Impairment	–	(199 487)	<b>(199 487)</b>	(1 178 447)
Reclassification	(641 205)	802 186	<b>160 981</b>	(156 770)
Closing balance	6 824 794	(2 902 756)	<b>3 922 038</b>	4 759 779
<b>Ships under construction</b>				
Opening balance	237 001	–	<b>237 001</b>	–
Translation (loss)/gain	(13 217)	–	<b>(13 217)</b>	42 842
Additions	368 145	–	<b>368 145</b>	194 159
Reclassification	(591 929)	–	<b>(591 929)</b>	–
Closing balance	–	–	<b>–</b>	237 001
<b>Property under construction</b>				
Opening balance	87 937	(25 959)	<b>61 978</b>	200 922
Translation (loss)/gain	(4 692)	3 333	<b>(1 359)</b>	5 072
Additions	54 360	–	<b>54 360</b>	106 196
Impairment	–	(2 187)	<b>(2 187)</b>	(21 266)
Transferred to non-current assets classified as held for sale	(11 773)	–	<b>(11 773)</b>	–
Disposals	–	–	<b>–</b>	(27 851)
Reclassification	(46 238)	–	<b>(46 238)</b>	(201 095)
Closing balance	79 594	(24 813)	<b>54 781</b>	61 978

				<b>Group</b>	
				<b>2016</b>	2015
				<b>R000</b>	R000
	Cost/ valuation	Accumulated depreciation, amortisation and impairment	<b>Carrying value</b>	Carrying value	
<b>2 SHIPS, PROPERTY, TERMINALS, MACHINERY, VEHICLES AND EQUIPMENT (CONTINUED)</b>					
<b>Terminals, machinery, vehicles and equipment</b>					
Opening balance	2 904 480	(1 199 411)	<b>1 705 069</b>	1 554 235	
Translation (loss)/gain	(212 087)	60 526	<b>(151 561)</b>	248 994	
Reclassification	17 106	4 387	<b>21 493</b>	48 409	
Additions	110 264	–	<b>110 264</b>	169 630	
Acquisition of businesses	1 585	–	<b>1 585</b>	–	
Impairment	–	(28 572)	<b>(28 572)</b>	(6 278)	
Disposals	(229 655)	154 772	<b>(74 883)</b>	(30 308)	
Disposal of businesses	(2 942)	3 515	<b>573</b>	(52 654)	
Depreciation	–	(182 224)	<b>(182 224)</b>	(226 959)	
Transferred to non-current assets classified as held for sale	(1 119 021)	243 090	<b>(875 931)</b>	–	
Closing balance	1 469 730	(943 917)	<b>525 813</b>	1 705 069	
<b>Leased terminals, vehicles and equipment</b>					
Opening balance	104 542	(66 708)	<b>37 834</b>	63 944	
Translation (loss)/gain	(10)	235	<b>225</b>	(984)	
Reclassification	–	–	–	(1 646)	
Disposals	(30 146)	30 146	–	(8 744)	
Depreciation	–	(5 748)	<b>(5 748)</b>	(14 736)	
Closing balance	74 386	(42 075)	<b>32 311</b>	37 834	
Aggregate	9 498 830	(4 147 606)	<b>5 351 224</b>	7 632 489	
	Cost/ valuation	Accumulated depreciation, amortisation and impairment	Carrying value		
2015 Group					
Freehold and leasehold properties	1 039 902	(209 074)	830 828		
Ships	8 268 508	(3 508 729)	4 759 779		
Property under construction	87 937	(25 959)	61 978		
Ships under construction	237 001	–	237 001		
Terminals, vehicles and equipment	2 904 480	(1 199 411)	1 705 069		
Leased terminals, vehicles and equipment	104 542	(66 708)	37 834		
	12 642 370	(5 009 881)	7 632 489		



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 2 SHIPS, PROPERTY, TERMINALS, MACHINERY, VEHICLES AND EQUIPMENT (CONTINUED)

Details of the freehold and leasehold properties are recorded in a register available for inspection at the registered office of the company or its subsidiaries.

Certain assets are encumbered in respect of capitalised lease and loan liabilities, details of which are shown under loan funds on ► page 114.

Hull and machinery insurance in respect of loss or damage to owned and bareboat chartered ships is insured at replacement value, and the sum insured is US\$618 160 000 (2015: US\$679 600 000) (on a management basis).

It is the policy of Grindrod and its subsidiaries to insure their property, terminals, machinery, vehicles and equipment at replacement value, however in certain circumstances asset cover is limited to market value. The sum insured is R9 441 912 000 (2015: R10 559 343 000) (on a management basis).

### Impairment

A R30 766 000 impairment was recorded against rail assets in the Freight segment. This was based on the value in use determined on a discounted cash flow basis.

The Shipping segment impaired a tanker and two dry-bulk carriers by R199 481 000 to its market value. Market value is based on estimated sales price as the intention is to recover the value through sale. This is categorised as level 2 in terms of IFRS 13, being fair value less costs to sell for similar assets. The fair value for similar assets was determined with reference to the current selling price of ships of similar location, age and condition.

In the prior year a R21 266 000 impairment was recorded against rail assets in the Freight segment. This was based on the value in use determined on a discounted cash flow basis.

In the prior year, assets acquired as part of the Empangeni Milling disposal were impaired by R5 369 000 to market value. This is categorised as level 2 in terms of IFRS 13, being the fair value less costs to sell for similar assets.

In the prior year, management assessed the recoverable value of the vessels using value in use which had been calculated based on estimated future cash flows. This assessment led to an impairment of R1 178 447 000 which was largely due to the continued depressed charter rates.

	Cost/ valuation	Accumulated amortisation and impairment losses	Group	
			2016 R000	2015 R000
			Carrying value	Carrying value
<b>3 INTANGIBLE ASSETS</b>				
<b>3.1 Goodwill</b>				
Opening balance	1 505 950	(206 447)	<b>1 299 503</b>	1 280 016
Translation (loss)/gain	(11 975)	–	<b>(11 975)</b>	19 487
Acquired	42 559	–	<b>42 559</b>	–
Disposal of business	(54 608)	–	<b>(54 608)</b>	–
Impairment	–	(445 982)	<b>(445 982)</b>	–
Closing balance	1 481 926	(652 429)	<b>829 497</b>	1 299 503

		<b>Group</b>		
		<b>2016</b>	2015	
		<b>R000</b>	R000	
	Cost/ valuation	Accumulated amortisation and impairment losses	<b>Carrying value</b>	Carrying value
<b>3</b>	<b>INTANGIBLE ASSETS (CONTINUED)</b>			
<b>3.2</b>	<b>Other intangible assets</b>			
Opening balance	492 873	(188 217)	<b>304 656</b>	329 630
Translation (loss)/gain	(36 503)	34 448	<b>(2 055)</b>	969
Reclassification	16 326	(4 632)	<b>11 694</b>	12 158
Additions	25 253	–	<b>25 253</b>	26 035
Disposals	28 418	(29 021)	<b>(603)</b>	(1 027)
Impairment	–	(41 237)	<b>(41 237)</b>	–
Amortisation	–	(65 849)	<b>(65 849)</b>	(63 109)
Transferred from non-current assets classified as held for sale	(549)	–	<b>(549)</b>	–
Closing balance	525 818	(294 508)	<b>231 310</b>	304 656
Total	2 007 744	(946 937)	<b>1 060 807</b>	1 604 159

#### Impairment of goodwill

An impairment of R350 146 000 was recognised in the group's rail business, based on the market value of the business which was classified as non-current assets held for sale. An impairment of R95 836 000 was recognised in the group's rail business based on the value in use determined on a discounted cash flow basis. This is categorised as level 2 in terms of IFRS 13, being fair value less costs to sell for similar assets.

#### Impairment testing of goodwill

The recoverable amounts of the cash-generating units were determined using the value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of between 7% – 12.5% per annum. Cash flow projections during the budget period are based on the same expected gross margins and inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a rate of between 2% – 5.58% per annum. The directors believe that any reasonably possible change in key assumptions on which recoverable amounts are based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the cash-generating unit.

#### Impairment of intangible assets

In the current year, an impairment of R38 291 000 was recognised for other intangible assets based on the market value of the business which was classified as non-current assets held for sale. This is categorised as level 2 in terms of IFRS 13, being fair value less costs to sell for similar assets. An impairment of R2 946 000 was recognised in the group's carrier logistics business based on the value in use determined on a discounted cash flow basis.





# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 3 INTANGIBLE ASSETS (CONTINUED)

### 3.2 Other intangible assets (continued)

#### Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the underlying discreet businesses as they represent separately identifiable cash-generating units. The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the group's total goodwill balance:

	Group	
	2016 R000	2015 R000
Shipping	213 436	218 833
Grindrod Seafreight	108 502	108 505
Freight Services		
Grindrod Integrated Logistics	349 185	308 463
Grindrod Carrier Logistics	149 614	157 651
Grindrod Ports, Terminals and Rail	8 760	451 443
Financial Services	-	54 608
	<b>829 497</b>	<b>1 299 503</b>

#### Significant other intangible assets

Included in other intangible assets above are:

##### Leases

Intangible asset raised on acquisition of businesses in respect of the inherent value attached to beneficial lease agreements

31 930      81 758

##### SAP systems

Financial systems implemented for processing

72 230      69 011

##### Software

23 092      31 926

##### Contractual and non-contractual customer contracts

99 521      116 932

#### Write-off periods of other intangible assets

Intangible assets are written off over periods ranging from 2 (2015: 2) to 20 (2015: 20) years.

## 4 INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 R000	2015 R000
Investments in subsidiaries	10 283 656	10 233 656
Share-based payments	16 949	16 949
	<b>10 300 605</b>	<b>10 250 605</b>

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on ► pages 111 and 112.

Details of share-based payments are shown in note 32.

Information about the composition of the group at the end of the reporting period has been included the integrated annual report on ► pages 14 to 17.

			Group	
			2016	2015
<b>5</b>	<b>INVESTMENTS IN JOINT VENTURES</b>			
	The group has joint venture interests in the following companies, which have the same year-end as the company unless otherwise stated:			
	Handyventure Singapore Pte Ltd	Shipowning and operating	Singapore	<b>0.0%</b> 50.0%
	Petrochemical Shipping Ltd	Shipowning and operating	Isle of Man	<b>50.0%</b> 50.0%
	Röhlig-Grindrod (Pty) Ltd	Clearing and forwarding	South Africa	<b>42.5%</b> 42.5%
	Chromtech Holdings (Pty) Ltd	Minerals trading	South Africa	<b>0.0%</b> 50.0%
	Tri-View Shipping Pte Ltd	Shipowning and operating	Singapore	<b>51.0%</b> 51.0%
	Vanguard Rigging (Pty) Ltd	Machine handling, rigging and transport services	South Africa	<b>0.0%</b> 50.0%
	IM Shipping Pte Ltd	Shipowning and operating	Singapore	<b>51.0%</b> 51.0%
	Portus Indico-Sociedade de Servicos Portuarios SA	Port operations	United Arab Emirates	<b>48.5%</b> 48.5%
	New Limpopo Bridge Projects Ltd	Rail	Mauritius	<b>50.0%</b> 50.0%
	GPR Leasing Africa Ltd	Rail leasing	Mauritius	<b>55.0%</b> 55.0%
	Jacobs Bulk Milling (Pty) Ltd	Milling and blending of agricultural commodity	South Africa	<b>0.0%</b> 50.0%
	Island Bulk Carriers Pte Ltd	Shipowning and operating	Singapore	<b>65.0%</b> 65.0%
	Maputo Intermodal Container Depot SA	Storage and logistics	Mozambique	<b>50.0%</b> 50.0%
	All Blue Technologies and Grindrod Rail Construction (SA) (Pty) Ltd JV	Construction	South Africa	<b>50.0%</b> 0.0%
	Leopard Tankers Pte Ltd	Shipowning and operating	Singapore	<b>50.0%</b> 50.0%
	Cockett Marine Oil Pte Ltd	Marine fuel and lubricants	Singapore	<b>50.0%</b> 50.0%
	Cockett Marine South Africa (Pty) Ltd	Marine fuel and lubricants	South Africa	<b>50.0%</b> 50.0%
	Vitol Coal South Africa BV	Coal trading	Netherlands	<b>0.0%</b> 35.0%
	Terminal De Carvo da Matola Limitada	Terminals	Mozambique	<b>65.0%</b> 65.0%
	Oiltanking Grindrod Calulo Holdings (Pty) Ltd	Liquid bulk storage and trading	South Africa	<b>30.5%</b> 30.5%
	Oreport (Pty) Ltd	Minerals trading	South Africa	<b>25.0%</b> 25.0%
	RBT Grindrod Terminals (Pty) Ltd	Terminals	South Africa	<b>49.9%</b> 49.9%

Information about the composition of the group at the end of the reporting period has been included in the annual integrated report on ► pages 14 to 17.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 5 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The proportionate interest in the joint ventures has been incorporated into the investment in joint venture line item as follows:

	Freight Services		Shipping		Total	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
<b>Statement of profit/(loss)</b>						
Revenue	982 070	1 158 888	13 956 014	16 372 045	14 938 084	17 530 933
Operating income before interest and taxation and after non-trading items and non-controlling interests	148 570	214 882	(214 039)	(203 780)	(65 469)	11 102
Net interest paid	(55 871)	(26 125)	(78 903)	(59 955)	(134 774)	(86 080)
Taxation	(36 724)	(36 811)	12 093	(8 308)	(24 631)	(45 119)
Net income after taxation	55 975	151 946	(280 849)	(272 043)	(224 874)	(120 097)
<b>Statement of financial position at 100%</b>						
Non-current assets	4 247 420	4 467 787	6 589 142	7 012 082	10 836 562	11 479 869
Current assets	1 526 696	2 110 475	2 983 883	4 744 484	4 510 579	6 854 959
Non-current liabilities	(423 891)	(767 339)	(3 722 307)	(3 891 742)	(4 146 198)	(4 659 081)
Current liabilities	(2 471 849)	(2 722 215)	(2 465 382)	(3 976 001)	(4 937 231)	(6 698 216)
Net assets	2 878 376	3 088 708	3 385 336	3 888 823	6 263 712	6 977 531
Proportion of group's ownership in joint venture	1 546 094	1 806 243	1 258 857	1 579 716	2 804 951	3 385 959
Goodwill	44 229	176 964	31 898	36 348	76 127	213 312
Loans	549 706	622 001	504 102	567 518	1 053 808	1 189 519
Other	59 262	17 897	-	-	59 262	17 897
Transferred to non-current assets associated with assets classified as held for sale (note 18)	(46 383)	-	-	-	(46 383)	-
Group's share of net assets of joint ventures	2 152 908	2 623 105	1 794 857	2 183 582	3 947 765	4 806 687

The proportionate share of the capital commitments of the joint ventures is as follows:

	Group			
	2016 R000	2016 US\$000	2015 R000	2015 US\$000
Authorised and contracted for	68 326	10 825	15 676	31 955
Due within one year	68 326	10 825	5 926	31 955
Due between years one and two	-	-	5 323	-
Due between years two and three	-	-	4 427	-
Authorised and not contracted for	-	2 420	-	9 354
Total	68 326	13 245	15 676	41 309

### Disposal of joint ventures

Refer to note 38 for disposals.

			Group	
			2016	2015
<b>6</b>	<b>INVESTMENTS IN ASSOCIATES</b>			
The group has associate interests in the following companies:				
Moneyline 992 (Pty) Ltd	Property investments	South Africa	<b>47.4%</b>	47.4%
Grindrod Namibia Stevedoring (Pty) Ltd	Stevedoring	Namibia	<b>49.0%</b>	49.0%
Empresa De Dragagem Do Porto de Mozambique S.A.	Port dredging	Mozambique	<b>25.5%</b>	25.5%
Senwes Ltd	Agricultural logistics	South Africa	<b>20.7%</b>	20.4%
NWK Ltd	Agricultural logistics	South Africa	<b>20.3%</b>	20.3%
Sturrock Flex Shipping Ltd	Clearing and forwarding	Tanzania	<b>49.0%</b>	49.0%

Information about the composition of the group at the end of the reporting period has been included in the integrated annual report on ► pages 14 to 17.

The proportionate interest in the associates has been incorporated into the investment in associates line item as follows:

		Freight Services	
		2016	2015
		R000	R000
<b>Statement of profit/(loss)</b>			
Revenue		<b>2 760 238</b>	2 654 727
Operating income before interest and taxation		<b>27 110</b>	138 229
Net interest received/(paid)		<b>22 752</b>	(35 781)
Taxation		<b>(29 258)</b>	(29 788)
Net income after taxation		<b>20 604</b>	72 660
<b>Statement of financial position at 100%</b>			
Non-current assets		<b>4 247 082</b>	3 045 886
Current assets		<b>5 999 996</b>	6 438 508
Non-current liabilities		<b>(1 849 995)</b>	(1 398 821)
Current liabilities		<b>(4 757 466)</b>	(4 368 479)
Net assets		<b>3 639 617</b>	3 717 094
Proportion of group's ownership in associate		<b>767 882</b>	806 148
Loans		<b>2 078</b>	32 688
Goodwill and other		<b>82 265</b>	83 514
Group's share of net assets of associates		<b>852 225</b>	922 350

#### Disposal of associates

Refer to note 38 for disposals.

The financial year-end for Senwes Ltd and NWK Ltd is 30 April. For purposes of applying the equity method, at year-end, for associates with differing year ends, reporting is based on management's best estimates.

The market value of Senwes Ltd and NWK Ltd are available on the individual companies website.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

	Group	
	2016 R000	2015 R000
<b>7 INVESTMENT PROPERTY</b>		
Balance at beginning of year	111 925	115 235
Additions	1 486	–
Fair value gain/(loss) on revaluation	15 480	(3 310)
Balance at end of year	<b>128 891</b>	111 925

The investment properties are categorised as level 3 in the fair value hierarchy. The investment properties were independently valued as at 31 December 2016 by a professional valuer registered with the South African Council for the Property Valuers Profession based on net rentals and a suitable market capitalisation rate.

	Group	
	2016 R000	2015 R000
Market capitalisation rate	<b>10%</b>	9%
If the market capitalisation rate had been 2% higher then:		
statement of financial position effect	<b>(26 812)</b>	(20 350)
income statement effect	<b>(26 812)</b>	(20 350)

Rental income of R5 516 366 was received for 2016 (2015: R5 937 704).

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>8 OTHER INVESTMENTS</b>				
Held for trading				
Listed equities at fair value	<b>772</b>	23 759		
Unlisted equities at fair value*	<b>944 799</b>	754 757	<b>7 714</b>	7 196
Other financial assets				
Fair value through profit or loss				
Pension fund surplus recognised**	<b>126 494</b>	123 477		
Financial assets at amortised cost	<b>739 544</b>	687 796	<b>492 855</b>	446 824
Financial assets at fair value	<b>10 484</b>	14 254		
Transferred to non-current assets classified as held for sale	<b>(2 986)</b>	–		
	<b>1 819 107</b>	1 604 043	<b>500 569</b>	454 020
Directors' valuation	<b>1 819 107</b>	1 604 043	<b>500 569</b>	454 020

\* Included in unlisted equities at fair value is Group Risk Holdings.

\*\* Details of the pension fund are included in note 22.

Refer to note 40.10 for fair value hierarchy.

Group Risk Holdings (GRH) is a South African-based holding company which wholly owns an offshore captive insurance company, being Group Risk Mutual Ltd in the Isle of Man. GRH has a number of shareholders of varying proportions. The directors' fair value of the investment equals the carrying amount. Other loans are interest free and have no fixed repayment terms. The group does not consider there to be any significant credit risk regarding the loans.

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>9 DEFERRED TAXATION</b>				
Deferred taxation analysed by major category:				
Capital allowances	<b>(405 982)</b>	(413 501)		
Other timing differences	<b>14 474</b>	52 016	<b>2 888</b>	2 461
Estimated taxation losses	<b>216 753</b>	342 515		
	<b>(174 755)</b>	(18 970)	<b>2 888</b>	2 461
Reconciliation of deferred taxation:				
Opening balance	<b>(18 970)</b>	2 854	<b>2 461</b>	2 079
Income statement effect	<b>(70 965)</b>	(32 939)	<b>427</b>	382
Translation adjustment	<b>4 355</b>	1 521		
Acquisition of businesses	<b>151</b>	3 179		
Deferred taxation on cash flow hedge transferred to hedging reserve	<b>(6 415)</b>	6 415		
Transferred to non-current assets classified as held for sale (note 18)	<b>(82 911)</b>	–		
Closing balance	<b>(174 755)</b>	(18 970)	<b>2 888</b>	2 461
Comprising:				
Deferred taxation assets	<b>87 062</b>	205 705	<b>2 888</b>	2 461
Deferred taxation liabilities	<b>(261 817)</b>	(224 675)		
	<b>(174 755)</b>	(18 970)	<b>2 888</b>	2 461

Deferred taxation assets have been recognised on assessed losses in the relevant entities which the group believes it is probable that they will generate a taxable profit in the foreseeable future. The assessments are performed on a continuous basis.



# NOTES TO THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2016

## 10 FINANCIAL INSTRUMENTS

The group's financial instruments consist mainly of cash deposits with banks, investments, trade and other receivables and payables, bank borrowings and loans to and from subsidiaries. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange contracts, cross currency swaps, forward freight agreements, bunker swaps and currency futures contracts, options and interest rate swap agreements.

### Financial instruments by category

The carrying value of the group's financial instruments by category are as follows:

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	11 279 138	17 382 022	3 370 038	3 379 185
Held for trading	1 527 555	1 086 473		
Derivative financial assets	-	3 427		
Derivative financial instruments designated as cash flow hedges	3 256	4 863		
<b>Total financial assets</b>	<b>12 809 949</b>	<b>18 476 785</b>	<b>3 370 038</b>	<b>3 379 185</b>
<b>Total non-financial assets</b>	<b>23 366 291</b>	<b>1 797 980</b>	<b>10 804 062</b>	<b>10 707 087</b>
<b>Total assets</b>	<b>36 176 240</b>	<b>36 456 765</b>	<b>14 174 100</b>	<b>14 086 272</b>
<b>Financial liabilities</b>				
Held at amortised cost	18 756 204	16 814 640	136 316	86 874
Derivative financial liabilities	20 031	37 855		
Derivative financial instruments designated as cash flow hedges	6 334	64 918		
<b>Total financial liabilities</b>	<b>18 782 569</b>	<b>16 917 413</b>	<b>136 316</b>	<b>86 874</b>
<b>Total non-financial liabilities and equity</b>	<b>17 393 671</b>	<b>19 539 352</b>	<b>14 037 784</b>	<b>13 999 398</b>
<b>Total liabilities and equity</b>	<b>36 176 240</b>	<b>36 456 765</b>	<b>14 174 100</b>	<b>14 086 272</b>

The carrying values of the group financial instruments approximate their fair value.

### Derivative financial instruments

#### 10.1 Forward exchange contracts

The group has entered into the following forward exchange contracts which are accounted for as cash flow hedges. The amounts represent the net rand equivalents of commitments to purchase and sell foreign currencies. The average rates shown include the cost of forward cover.

#### Valuation technique

Quoted forward points to the contract date are allocated to the spot rate at year-end and this rate is applied to the foreign currency amount in order to determine the fair value of the derivative.

This is categorised as level 2 in terms of the fair value hierarchy.

	Group	
	2016 R000	2015 R000
Total change in fair value recognised in profit/(loss)	(17 229)	3 793

Details of these forward exchange contracts are as follows:

Foreign currency	Average rate	2016			Average rate	2015		Asset/(liability) R000
		Contract value US\$000	Contract value R000	Asset/(liability) R000		Contract value US\$000	Contract value R000	
Sell US dollars	-	-	-	-	13.46	10 000	134 161	(25 182)
	-	-	-	-	-	10 000	134 161	(25 182)

## 10 FINANCIAL INSTRUMENTS (CONTINUED)

### 10.2 Forward freight agreements

The group has entered into a number of forward freight agreements which are designated as cash flow hedges, covering the handysize ships to hedge against shipping market price risk. These are entered into in the normal course of business in order to hedge against open positions in the fleet from contracts of affreightment (these FFAs hedge sales based on volumes shipped) and exposure on earnings for the handysize ships trading in a pool on the spot market. The basis for valuation of the FFAs is set out in management's critical judgements. At 31 December 2016, there were 5 (2015: 10) FFAs, designated as cash flow hedges, maturing as follows:

This is categorised as level 2 in terms of the fair value hierarchy.

Settlement Periods	Hedged item	Strike price US\$	Quantity/ duration	Nominal value US\$000	2016	2015
					Asset/ (liability) R000	Asset/ (liability) R000
January 2016 – March 2016	Handysize	7 100	30 days	213	-	889
January 2016 – March 2016	Handysize	6 700	30 days	201	-	702
January 2016 – June 2016	Handysize	6 100	90 days	549	-	733
January 2016 – June 2016	Handysize	6 000	90 days	1 080	-	1 170
January 2016 – June 2016	Handysize	6 000	180 days	1 080	-	1 166
January 2017	Handysize	7 000	15 days	105	(167)	-
January 2017 – March 2017	Handysize	5 100	90 days	459	(2 234)	-
January 2017 – March 2017	Handysize	5 000	90 days	450	(2 357)	-
January 2017 – March 2017	Handysize	4 675	90 days	421	(1 576)	-
February 2017 – March 2017	Handysize	7 000	30 days	210	220	-
				4 768	(6 114)	4 660

At 31 December 2016, the sensitivity of the FFAs to a 10% (2015: 10%) movement in the shipping market prices would have the following effect:

	Group	
	2016 R000	2015 R000
<b>10% increase</b>		
Increase in FFA liability	(2 601)	-
Decrease in hedging reserve deficit	2 601	-
Decrease in profit	-	-
<b>10% decrease</b>		
Decrease in FFA liability	2 601	-
Increase in hedging reserve deficit	(2 601)	-
Increase in profit	-	-
<b>10% increase</b>		
Decrease in FFA asset	-	(4 415)
Decrease in hedging reserve deficit	-	4 415
Decrease in profit	-	-
<b>10% decrease</b>		
Increase in FFA asset	-	4 415
Increase in hedging reserve deficit	-	(4 415)
Decrease in profit	-	-





## 10 FINANCIAL INSTRUMENTS (CONTINUED)

### 10.5 Bunker swaps

The group has entered into the following bunker swaps in the shipping segment. This is categorised as level 2 in terms of the fair value hierarchy. Certain bunker swaps are classified as cash flow hedges as detailed below:

Settlement period	Quantity mt	Strike Price R000	2016		Equity R000	Liability R000	2015	
			Asset R000	Income statement R000			Income statement R000	Equity R000
January 2015 – August 2015	2 400	561	-	13 404	-	(15 210)	-	(5 075)
January 2015 – August 2015	12 000	583	-	27 192	-	(30 670)	25 917	(10 443)
January 2015 – December 2015	10 800	561	-	-	-	-	38 454	-
February 2016	400	188	-	221	-	(172)	172	-
March 2016	400	193	-	103	-	(172)	172	-
January 2017	200	248	57	-	57	-	-	-
January 2017	400	275	274	-	274	-	-	-
January 2017 – December 2017	750	279	2 630	-	2 630	-	-	-
July 2017	350	253	75	-	75	-	-	-
			3 036	40 920	3 036	(46 224)	64 715	(15 518)

### Cash flow hedges

Outstanding contracts	Strike price	Currency	2016		2015	
			Nominal value R000	Liability R000	Nominal value R000	Liability R000
January 2016 – August 2016	583	USD	-	-	2 798	(1 966)
January 2016 – August 2016	561	USD	-	-	1 346	(975)
January 2017	248	USD	50	4	-	-
January 2017	275	USD	110	20	-	-
January 2017	253	USD	89	6	-	-
January 2017 – December 2017	279	USD	209	192	-	-
				222		(2 941)

### 10.6 Hedging details

The above mentioned derivative's hedging details are as follows:

	Group	
	2016 R000	2015 R000
<b>Ineffectiveness recognised in profit or loss:</b>		
- cash flow hedge	-	3 793

Details of cash flow hedges:

	2016				2015			
	< 3 months	3 – 6 months	6 – 12 months	> 12 months	< 3 months	3 – 6 months	6 – 12 months	> 12 months
Financial asset	6 339	-	-	-	-	-	-	-
Financial liability	(1 383)	(726)	(1 152)	-	(24 571)	(23 210)	(14 825)	-



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 10 FINANCIAL INSTRUMENTS (CONTINUED)

	2016			2015		
	Amount accumulated in equity	Amount recycled from equity into		Amount accumulated in equity	Amount recycled from equity into	
Reconciliation of cash flow hedge accumulated in equity	Hedging reserve R000	Income statement R000	Liability R000	Hedging reserve R000	Income statement R000	Liability R000
<b>10.6 Hedging details (continued)</b>						
Opening balance	55 582	-	-	76 627	-	-
Amount recognised through other comprehensive income in the current year	(4 641)	-	4 641	34 607	-	(34 607)
Amount removed from equity to income statement	(53 873)	53 873	-	(65 483)	65 483	-
Deferred tax	6 415	-	-	(5 804)	-	-
Translation adjustments	(2 537)	-	-	15 635	-	-
Closing balance	946	53 873	4 641	55 582	65 483	(34 607)
Comprising:						
Financial instruments	3 078			64 475		
Deferred tax	(2 132)			(8 893)		
	946			55 582		
	Hedging reserve 2016 R000	Financial assets 2016 R000	Financial liabilities 2016 R000	Hedging reserve 2015 R000	Financial assets 2015 R000	Financial liabilities 2015 R000

### 10.7 The derivative financial instruments have been disclosed in the statement of financial position as follows:

Forward currency exchange contracts on ships and other trading commitments	-	-	-	(22 911)	-	(25 182)
Forward freight agreements	6 114	220	(6 334)	4 660	4 863	(203)
Futures	-	-	(9 510)	-	-	(31 164)
Interest rate swaps	-	-	(10 521)	-	3 427	-
Bunker swaps	(3 036)	3 036	-	(46 224)	-	(46 224)
	3 078	3 256	(26 365)	(64 475)	8 290	(102 773)
Less portion due within one year included in trade and other payables (refer to notes 16 and 25)	-	(3 256)	6 334	-	(4 863)	102 773
Transfer to non-current (assets)/liabilities held for sale (refer to note 18)	-	-	9 510	-	-	-
Long-term portion	3 078	-	(10 521)	(64 475)	3 427	-

		<b>Group</b>	
		<b>2016</b>	2015
		<b>R000</b>	R000
<b>11</b>	<b>FINANCE LEASE RECEIVABLES</b>		
	Current finance lease receivables (note 16)	<b>58 655</b>	40 105
	Non-current finance lease receivables	<b>730</b>	37 912
	Transferred to non-current assets held for sale (note 18)	<b>(58 472)</b>	-
		<b>913</b>	78 017

*Leasing arrangements*

The group entered into finance lease arrangements for 13 locomotives (including those classified as non-current assets held for sale). The terms of finance leases range from three to five years.

Amounts receivable under finance leases

	<b>1 year</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>R000</b>	<b>R000</b>	<b>R000</b>	<b>R000</b>
<b>2016</b>				
Minimum lease payments receivable (including non-current assets held for sale)	<b>58 755</b>	<b>868</b>	-	<b>59 623</b>
Unearned finance income (including non-current assets held for sale)	<b>(100)</b>	<b>(138)</b>	-	<b>(238)</b>
Total present value/capital value	<b>58 655</b>	<b>730</b>	-	<b>59 385</b>
<b>2015</b>				
Minimum lease payments receivable	41 642	38 329	-	79 971
Unearned finance income	(1 537)	(417)	-	(1 954)
Total present value/capital value	40 105	37 912	-	78 017

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate contracted ranges from 3% to 11%.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

		<b>Group</b>	
		<b>2016</b>	2015
		<b>R000</b>	R000
<b>12</b>	<b>RECOVERABLES ON CANCELLED SHIPS</b>		
	Opening balance	-	300 723
	Interest accrued	-	4 676
	Cash receipt	-	(319 838)
	Translation gain	-	14 439
		-	-

In 2011, the group cancelled two ships due to non-performance of certain contracted conditions by the ship yard. One matter was settled in 2013 and the other matter was settled during 2015.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

		Group	
		2016	2015
		R000	R000
<b>13</b>	<b>LOANS AND ADVANCES TO BANK CUSTOMERS</b>		
	Loans and receivables	5 272 750	4 607 897
	Held at fair value through profit or loss using year-end market-related interest rate yield curves to discount expected future cash flows	581 984	307 957
		<b>5 854 734</b>	4 915 854
	Loans and advances – companies and close corporations	4 708 096	3 876 608
	Loans and advances – unincorporated businesses	238 314	228 335
	Loans and advances – individuals	95 890	110 790
	Preference shares	812 822	719 017
	Interest accrued	49 312	39 632
	Revaluation of loans held at fair value through profit or loss	9 275	(3 012)
	Less: impairments against advances	(58 975)	(55 516)
		<b>5 854 734</b>	4 915 854

Advances are made at market related rates of interest and are secured with various types of collateral such as cash, mortgage bonds, shares, discounted invoices, guarantees and suretyships. This book is considered to be well secured and impairments have been raised where impairment indicators exist.

**Contractual maturity analysis:**

Maturity on demand	762 157	699 167
Maturing within one month	417 368	420 689
Maturing after one month but within three months	706 817	47 752
Maturing after three months but within six months	95 655	547 123
Maturing after six months but within one year	466 137	210 230
Maturing after one year but within three years	1 402 993	1 220 700
Maturing after three years but within five years	1 253 726	966 656
Maturing after five years but within ten years	670 204	775 987
Maturing after ten years	80 065	46 446
Interest accrued	49 312	39 632
Revaluation of loans held at fair value through profit or loss	9 275	(3 012)
Less: impairments against advances	(58 975)	(55 516)
	<b>5 854 734</b>	4 915 854
Maximum exposure to credit risk before impairments	<b>5 913 709</b>	4 971 370
Exposures with renegotiated terms	-	-

The maturity analysis of advances is based on the remaining contractual periods to maturity from the reporting date, and does not take repayment profiles into account.

	Group	
	2016 R000	2015 R000
<b>13 LOANS AND ADVANCES TO BANK CUSTOMERS (CONTINUED)</b>		
<b>Sectoral analysis:</b>		
Agriculture, hunting, forestry and fishing	32 052	29 117
Mining and quarrying	29 154	29 136
Manufacturing	239 759	201 149
Construction	39 466	39 419
Wholesale and retail trade, repair of specified items, hotels and restaurants	130 347	91 114
Transport, storage and communication	156 532	169 090
Financial intermediation and insurance	291 785	377 658
Real estate	2 425 548	2 305 693
Business services	129 239	89 753
Community, social and personal services	298	13 104
Private households	87 137	101 153
Other	2 293 417	1 469 468
	<b>5 854 734</b>	<b>4 915 854</b>
<b>Geographical analysis:</b>		
South Africa	<b>5 854 734</b>	<b>4 915 854</b>
Included in loans and advances are fixed rate loans designated as held at fair value through profit or loss:		
Net book value of loans and advances held at fair value through profit or loss	572 709	310 969
Revaluation of loans and advances held at fair value through profit or loss	9 275	-
Less: impairment of loans and advances held at fair value through profit or loss	-	(3 012)
Fair value of loans and advances held at fair value through profit or loss	<b>581 984</b>	<b>307 957</b>
Analysis of impairments:		
Impairments at the beginning of the year	(55 516)	(44 098)
Net increase in impairments	(3 459)	(11 418)
Impairments at the end of the year	<b>(58 975)</b>	<b>(55 516)</b>
Analysis of impaired loans and advances:		
Loans and advances classified as special mention	257 997	81 002
Loans and advances displaying significant weakness	19 988	17 576
Carrying amount of impaired loans and advances	<b>277 985</b>	<b>98 578</b>
Collateral held against impaired loans and advances	-	87 961
<b>Sectoral analysis of impaired loans and advances:</b>		
Agriculture, hunting, forestry and fishing	-	502
Manufacturing	-	22 001
Community, social and personal services	-	5 988
Real estate	194 680	30 852
Private households	285	273
Other	83 020	38 962
	<b>277 985</b>	<b>98 578</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

		Group	
		2016	2015
		R000	R000
<b>14</b>	<b>LIQUID ASSETS AND SHORT-TERM NEGOTIABLE SECURITIES</b>		
	Measured at amortised cost		
	Preference shares	149 168	27 528
	Statutory liquid assets		
	Negotiable certificates of deposit	517 735	460 476
	Money market investments and debentures	1 134 162	577 726
		<b>1 801 065</b>	1 065 730

		Group	
		2016	2015
		R000	R000
<b>15</b>	<b>INVENTORIES</b>		
	Bunkers and other consumables	158 275	119 567
	Merchandise and containers	832 228	609 496
	Held-for-sale assets	225 885	–
	Transferred to non-current assets held for sale (note 18)	(786 404)	–
		<b>429 984</b>	729 063

The cost of inventories recognised as an expense includes R21 712 000 (2015: R18 249 000) in respect of write-downs of inventory to net realisable value.

Rnil (2015: Rnil) inventories were ceded to financial institutions.

		Group		Company	
		2016	2015	2016	2015
		R000	R000	R000	R000
<b>16</b>	<b>TRADE AND OTHER RECEIVABLES</b>				
	Trade debtors	1 234 318	1 510 442		
	Less: allowances for doubtful debts	(171 595)	(279 565)		
	Net trade debtors	1 062 723	1 230 877	–	–
	Prepayments	93 092	126 488		
	Amounts due from group subsidiaries			3 346 884	3 353 395
	Receivables from joint ventures	1 716 798	1 421 277		
	Current portion of finance lease receivable (note 11)	183	40 105		
	Current portion of derivative financial assets (note 10.7)	3 255	4 863		
	Other receivables	1 061 246	1 269 977	20 000	20 114
		<b>3 937 297</b>	4 093 587	<b>3 366 884</b>	3 373 509
	Included in non-current assets classified as held for sale (note 18)	(188 836)	–		
		<b>3 748 461</b>	4 093 587	<b>3 366 884</b>	3 373 509

Trade and other receivables, other than the current portion of financial assets, are classified as loans and receivables at amortised cost and their carrying amount approximates fair value. Trade and other receivables are predominantly non-interest bearing.

		<b>Group</b>	
		<b>2016</b>	2015
		<b>R000</b>	R000
<b>16</b>	<b>TRADE AND OTHER RECEIVABLES (CONTINUED)</b>		
	Included in the current portion of financial assets are:		
	Forward freight agreements	<b>3 256</b>	4 863
	<b>Reconciliation of allowances for doubtful debts</b>		
	Opening balance	<b>279 565</b>	193 042
	Increase in allowance	<b>60 132</b>	125 487
	Allowance utilised	<b>(168 102)</b>	(38 964)
		<b>171 595</b>	279 565
	Transferred from/(to) non-current assets classified as held for sale	<b>(60 854)</b>	-
		<b>110 741</b>	279 565
	Concentrations of credit risk are limited due to the group's customer base being large and unrelated. Due to this, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful debts.		
	Trade debtors have been ceded to financial institutions in order to secure overdraft facilities as follows:		
	Group	<b>1 468</b>	4 299

		<b>Group</b>	
		<b>2016</b>	2015
		<b>R000</b>	R000
<b>17</b>	<b>SHORT-TERM LOANS</b>		
	Loan to Fincrop Risk Management (Pty) Ltd	-	97 878
	Loan to Blue Ribbon Foods Ltd	-	46 800
	Reclassified to trade and other receivables	-	(144 678)
		-	-

Short-term loans relating to Fincrop Risk Management (Pty) Ltd and Blue Ribbon Foods Ltd have been reclassified to trade and other receivables.





# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

		Group	
		2016	2015
		R000	R000
<b>18</b>	<b>NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
	Ships, property, terminals, machinery, vehicles and equipment		
	Freehold and leasehold properties	16 444	–
	Property under construction	11 773	–
	Terminals, machinery, vehicles and equipment	225 245	51 623
	Intangible assets	549	–
	Investment in joint venture and associates	46 383	95 000
	Other investments	2 986	–
	Finance lease receivables	58 472	–
	Taxation	2 856	–
	Inventory	786 404	74 665
	Bank and cash	98 282	9 460
	Deferred taxation	110 842	–
	Trade and other receivables	188 836	51 144
		<b>1 549 072</b>	<b>281 892</b>
	<b>Non-current liabilities associated with assets classified as held for sale</b>		
	Investment in joint venture	–	1 387
	Short-term borrowings and bank overdraft	253 496	11 105
	Taxation	2 094	–
	Deferred taxation	27 931	–
	Interest-bearing debt	414 045	–
	Financial liabilities	9 510	–
	Trade and other liabilities	516 033	77 358
		<b>1 223 109</b>	<b>89 850</b>

## Business disposals

The Freight Services rail assembly businesses continue to experience constraints with the cancellation of planned capital investments in mining projects in Africa. Given the subsequent anticipated inability to secure the desired, sustainable return in these businesses, the Grindrod strategy was reviewed and a decision was taken to withdraw from the rail assembly businesses. Consequently the group plans to dispose of Grindrod Locomotives Group, Grindrod Rail Construction Group and RRL Grindrod SL2 Limited within the next year.

United Refineries Limited, Chromtech (Pty) Ltd and Jacobs Bulk Milling were disposed in the current year.

**18 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)****Current year movement in non-current assets and non-current liabilities associated with assets held for sale**

	Opening balance	Movement	Disposal	Closing balance
Ships, property, terminals, vehicles and equipment				
Freehold and leasehold properties	-	16 444	-	<b>16 444</b>
Property under construction	-	11 773	-	<b>11 773</b>
Terminals, vehicles and equipment	51 623	875 931	(51 623)	<b>875 931</b>
Intangible assets	-	549	-	<b>549</b>
Investment in joint venture and associates	95 000	46 383	(95 000)	<b>46 383</b>
Other investments	-	2 986	-	<b>2 986</b>
Finance lease receivables	-	58 472	-	<b>58 472</b>
Taxation	-	762	-	<b>762</b>
Inventory	74 665	786 404	(74 665)	<b>786 404</b>
Bank and cash	9 460	98 282	(9 460)	<b>98 282</b>
Deferred taxation	-	82 911	-	<b>82 911</b>
Trade and other receivables	51 144	188 836	(51 144)	<b>188 836</b>
Short-term borrowings and bank overdraft	(11 105)	(253 496)	11 105	<b>(253 496)</b>
Investment in joint venture	(1 387)	-	1 387	<b>-</b>
Interest-bearing debt	-	(414 045)	-	<b>(414 045)</b>
Financial liabilities	-	(9 510)	-	<b>(9 510)</b>
Trade and other liabilities	(77 358)	(516 033)	77 358	<b>(516 033)</b>
	192 042	976 649	(192 042)	<b>976 649</b>
Fair value less costs to sell adjustment				<b>(650 686)</b>
				<b>325 963</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>19 SHARE CAPITAL AND PREMIUM</b>				
<b>Authorised</b>				
2 750 000 000 ordinary shares of 0.002 cents each (2015: 2 750 000 000 ordinary shares of 0.002 cents each)	<b>55</b>	55	<b>55</b>	55
20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each (2015: 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each)	<b>6</b>	6	<b>6</b>	6
	<b>61</b>	61	<b>61</b>	61
<b>Issued</b>				
762 553 314 ordinary shares of 0.002 cents each (2015: 762 553 314 shares of 0.002 cents each)	<b>15</b>	15	<b>15</b>	15
7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each (2015: 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each)	<b>2</b>	2	<b>2</b>	2
<b>Share premium</b>	<b>5 971 704</b>	5 970 712	<b>6 407 357</b>	6 407 357
Balance at beginning of year	<b>5 970 712</b>	5 982 909	<b>6 407 357</b>	6 401 102
Premium on shares issued	<b>-</b>	6 255	<b>-</b>	6 255
Share options vested	<b>6 892</b>	6 892	<b>-</b>	-
Shares repurchased	<b>(8 671)</b>	(25 710)	<b>-</b>	-
Treasury shares sold	<b>2 771</b>	366	<b>-</b>	-
Total issued share capital and premium	<b>5 971 721</b>	5 970 729	<b>6 407 374</b>	6 407 374

500 961 ordinary shares relating to the Grindrod Forfeitable Share Plan vested during the current year (2015: 500 961).

In the current year, 912 400 (2015: 1 661 435) ordinary shares were repurchased by a subsidiary for R8 671 719 (2015: R 25 709 804).

During the current year, 12 187 (2015: 4 796) treasury cumulative, non-redeemable, non-participating and non-convertible preference shares were sold for R2 771 000 (2015: R366 000).

As at 31 December 2016 Nil (2015: 12 187), cumulative, non-redeemable, non-participating and non-convertible preference shares with a nominal value of R75.00 (2015: R75.00) were held by a subsidiary of the group.

At 31 December 2016, 12 005 784 (2015: 11 594 345) ordinary shares are held by subsidiaries of the group.

Of these shares 3 172 656 (2015: 2 613 311) have been allocated to the group forfeitable share plan.

The unissued shares, to the extent of a maximum of 10% of the issued shares, are under the control of the directors until the forthcoming annual general meeting.

	Group	
	2016 R000	2015 R000
<b>20 LONG-TERM BORROWINGS</b>		
<b>Unsecured</b>		
Financial services funding instruments (note 21)	446 054	355 936
<b>Secured</b>		
Long- and medium-term financing	2 471 624	2 910 906
Financial services funding instruments (note 21)	548 622	615 357
Total amounts repayable within one year	<b>(895 966)</b>	(1 022 093)
Long-term loans	<b>2 570 334</b>	2 860 106
Current portion of long-term loans	<b>895 966</b>	1 022 093
	<b>3 466 300</b>	3 882 199
Transferred to non-current liabilities associated with assets held for sale (note 18)	<b>(414 045)</b>	–
Long-term loans	<b>3 052 255</b>	3 882 199
	<b>274 797</b>	477 330
Short-term borrowings and overdraft	<b>528 293</b>	477 330
Transferred to non-current liabilities associated with assets held for sale (note 18)	<b>(253 496)</b>	–
	<b>3 327 052</b>	4 359 529
Interest-bearing borrowings are disclosed as follows:	<b>3 327 052</b>	4 359 529
Long-term borrowings	<b>1 423 339</b>	2 061 818
Financial services funding instruments	<b>803 489</b>	798 288
Current portion of long-term borrowings	<b>634 240</b>	849 088
Current portion of financial services funding instruments	<b>191 187</b>	173 005
Short-term borrowings and overdraft	<b>274 797</b>	477 330

Group assets of R4 665 109 000 (2015: R6 423 862 000) are pledged as security for loans of R2 430 155 000 (2015: R2 529 482 000).

The group determines its availability of funds and assesses its cash requirements on a weekly basis. Consideration is given to the most appropriate form of funding prior to any acquisitions. Group treasury determines the amount of unutilised facilities in assessing the funds available to the group. The net cash balances included in current assets and current liabilities are included in the determination of the headroom available.

Full details of the long- and medium-term financing, their fair values and interest rate profiles are detailed on the schedule of loan funds on ► page 114.

#### Available facilities

Interest-bearing debt is raised to fund ships, locomotives, property, terminals, vehicles, equipment and inventory. The facilities are fixed based on specific loan agreements and the specific assets against which the loans are secured.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 20 LONG-TERM BORROWINGS (CONTINUED)

The group has undrawn committed facilities as at 31 December 2016, as follows:

	Expiry date	Currency	2016 R000	2015 R000
Long-term debt facilities	12/2016	USD	-	29 172
	07/2018	USD	68 450	546 000
	12/2016	USD	-	156 000
Short-term borrowing facilities	12/2017	USD	361 862	-
	04/2017	USD	19 508	-
	12/2017	ZAR	253 491	-
	06/2017	ZAR	248 785	-
	08/2017	ZAR	300 000	-
	06/2016	ZAR	-	300 000
	05/2016	ZAR	-	320 000
	12/2016	ZAR	-	150 000
			<b>1 252 096</b>	1 501 172

The maturity profile of the group's borrowings is as follows:

	1 year R000	2 – 5 years R000	> 5 years R000	Group R000
<b>2016</b>				
Interest-bearing debt repayable as follows before transfer to non-current assets held for sale	<b>1 424 257</b>	<b>2 301 451</b>	<b>268 885</b>	<b>3 994 593</b>
<b>2015</b>				
Interest-bearing debt repayable as follows before transfer to non-current assets held for sale	<b>1 499 424</b>	<b>2 526 622</b>	<b>333 483</b>	<b>4 359 529</b>

Trading trade debtors of R1 467 550 (2015: R4 299 469) have been ceded to financial institutions in order to secure overdraft facilities.

	Group	
	2016 R000	2015 R000
<b>21 FINANCIAL SERVICES FUNDING INSTRUMENTS</b>		
Loans secured by guarantee	<b>296 708</b>	361 012
Listed corporate bond secured by guarantee	<b>163 184</b>	162 909
Loans secured by property	<b>88 730</b>	91 436
Total secured funding	<b>548 622</b>	615 357
Redeemable preference shares	<b>446 054</b>	355 936
Aggregate funding	<b>994 676</b>	971 293
Amount repayable within one year	<b>(191 187)</b>	(173 005)
	<b>803 489</b>	798 288

## 22 EMPLOYEE BENEFIT OBLIGATIONS

### 22.1 Provision for post-retirement medical aid

The group subsidises the medical aid contributions of certain retired employees, and has an obligation to subsidise contributions of certain current employees when they reach retirement.

In prior periods, the group undertook to offer pensioners a voluntary benefit in lieu of their current medical subsidy in order to close out the liability on the statement of financial position. The proposed offer had three options, namely an annuity offer, a cash offer or to remain in the scheme. A number of employees chose the annuity and cash offer. The provision has been calculated on the remaining individuals in the scheme.

The risks typically faced by the group as a result of the post-retirement medical aid are risks relating to inflation, longevity, future changes in legislation, future changes in tax environment, perceived inequality by non-eligible employee, administration of fund and enforcement of eligibility criteria and rules.

During December 2016 an actuarial valuation was performed by Alexander Forbes.

Apart from paying costs of entitlement, the group is not liable to pay additional contributions in the case the fund does not hold sufficient assets. In that case, the fund would take other measures to restore solvency.

	<b>Group</b>	
	<b>2016</b>	2015
	<b>R000</b>	R000
The amounts recognised in the annual financial statements in this respect are as follows:		
Recognised liability at beginning of the year	<b>61 099</b>	60 019
Recognised in other comprehensive income in the current year	<b>(2 244)</b>	3 391
Interest on obligation	<b>5 541</b>	4 972
Current service cost	<b>769</b>	237
Actuarial loss arising from changes in experience assumptions	<b>(6 633)</b>	(59)
Other	<b>(1 921)</b>	(1 759)
Contributions paid	<b>(3 482)</b>	(2 311)
Present value of unfunded obligations recognised as a liability at end of the year	<b>55 373</b>	61 099
Long-term portion of provision for post-retirement medical aid	<b>55 373</b>	61 099
There are no unrecognised actuarial gains or losses.		
The principal actuarial assumptions applied in the determination of fair values include:		
Health care cost inflation	<b>9.4%</b>	9.3%
Discount rate	<b>10.0%</b>	9.5%
Continuation at retirement	<b>84.0%</b>	84.0%



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 22 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

### 22.1 Provision for post-retirement medical aid (continued)

The effect of an increase or decrease of 1% in the assumed medical cost trend rates is as follows:

	2016		2015	
	Effect of a 1%		Effect of a 1%	
	Increase	(Decrease)	Increase	(Decrease)
Aggregate of the current service cost and interest cost	11.7%	(10.0%)	12.6%	(10.6%)
Accrued liability at year-end	11.2%	(9.5%)	12.0%	(10.1%)

The effect of an increase or decrease of 1% in the assumed discount rates is as follows:

	2016		2015	
	Effect of a 1%		Effect of a 1%	
	Increase	(Decrease)	Increase	(Decrease)
Accrued liability at year-end	(9.8%)	11.7%	(10.4%)	12.5%

The effect of an increase or decrease of 1% in the assumed expected retirement age is as follows:

	2016		2015	
	Effect of a 1%		Effect of a 1%	
	Increase	(Decrease)	Increase	(Decrease)
Accrued liability at year-end	0.4%	(0.4%)	0.5%	(0.5%)

The history of experience adjustments is as follows:

	2016	2015	2014	2013	2012
Present value of obligations	55 373	61 099	75 823	60 230	51 405
Fair value of plan assets	-	-	-	-	-
Present value of obligations in excess of plan assets	55 373	61 099	75 823	60 230	51 405
Experience adjustments on obligations	7 848	815	(9 642)	(13 707)	(933)

The sensitivity analysis presented above may not be representative of the actual change in the obligation as it is unlikely that the above change in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

The average duration of the benefit obligation as at 31 December 2016 is 12.9 years.

The group expects to make a contribution of R3 551 000 (2015: R3 637 000) to the post-retirement medical aid fund during the next financial year.

## 22 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

### 22.2 Retirement benefit plans

The group provides privately administered pension and provident funds for all permanent employees except those who belong to an external fund, industry pension fund or provident scheme. All eligible employees are members of either defined benefit or defined contribution plans which are governed by the South African Pension Funds Act, 1956.

The risks faced by the group as a result of the retirement benefit plan are actuarial risks relating to:

- longevity risk;
- investment risk;
- market risk;
- liquidity risk;
- salary risk; and
- foreign exchange rate risk.

#### Longevity risk

The pensioners have been outsourced in the name of the Fund (GN12), thus presently the Fund is exposed to the risk that the insurer might default on pension payments. The outsource removes the longevity risk from the Fund i.e. the risk that pensioners live longer than expected, and passes this risk on to the insurer.

#### Investment risk

The plan assets are primarily invested in equities and bonds (with a majority in equities). This exposes the Fund to a slight concentration of market risk. If the plan assets are not adequate or suitable to fund the liabilities of the Fund (and the nature thereof) the entity will be required to fund the balance, hence exposing it to risks on the investment return.

#### Market risk

In order to reduce market risk, the investment portfolio is diversified by investing in equities of different companies and in different issues of bonds and deposits. Cash deposits are also invested with different institutions as well as in different geographical markets. The risk is further reduced by investing in well-researched companies and by investing in bonds with high credit ratings.

#### Liquidity risk

Liquidity risk, the risk of not having liquid assets to meet liabilities as they fall due, is reduced by investing in liquid assets and highly tradeable assets.

#### Salary risk

Salaries are assumed to depend on inflation, which means the active member liability is also exposed to inflation risk.

#### Foreign exchange risk

The great majority of members' retirement fund liabilities are denominated in rands. A currency mismatch is therefore introduced when investing in foreign investments. The risk is due to the fact that the currency invested could weaken against the rand. However, since inflation in South Africa is likely to be higher than in most developed countries, it is expected that the rand would weaken against the major investment currencies in the long-term.

The volatility risk associated with foreign investments is reduced when only a limited portion of the portfolio's assets is invested offshore as is currently required in terms of Regulation 28 and the South African Reserve Bank requirements.





# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

	2016 R000	2015 R000
<b>22 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)</b>		
<b>22.2 Retirement benefit plans (continued)</b>		
The funded status of the pension fund is as follows:		
Actuarial value of assets	181 972	181 537
Present value of liabilities	(55 478)	(58 060)
Actuarial surplus (note 8)	126 494	123 477
The amounts recognised in the annual financial statements in this respect are as follows:		
Recognised asset at beginning of the year	123 477	117 002
Recognised in the income statement in the current year	8 779	6 579
Interest on obligation	(4 610)	(4 349)
Current service cost	(1 377)	(1 755)
Expected return on plan assets	14 766	12 683
Recognised in other comprehensive income in the current year	(5 762)	(104)
Actuarial gain/(loss) arising from changes in financial assumptions	1 918	(3 717)
Actuarial (loss)/gain arising from changes in experience assumptions	(7 680)	3 613
	126 494	123 477
The assets of the fund were invested as follows:		
Cash and cash equivalents	4.4%	4.1%
Equity instruments	49.9%	51.3%
Debt instruments	5.3%	6.7%
Real estate	18.4%	17.8%
International instruments	17.6%	20.1%
Other	4.4%	0.0%
The fair value of the above equity and debt instruments are determined based on quoted market prices in active markets.		
An actuarial valuation was performed on 31 December 2016. The employer's contributions to all retirement benefit plans are charged against income when incurred.		
The principal actuarial assumptions applied in the determination of fair values include:		
Discount rate	8.6%	8.3%
Salary increase	7.0%	7.1%
Pension increase	6.0%	6.1%
Inflation increase	6.0%	6.1%

## 22 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

### 22.2 Retirement benefit plans (continued)

The effect of an increase or decrease of 1% in the assumed discount rates are as follows:

2016		2015	
Effect of a 1%		Effect of a 1%	
Increase	(Decrease)	Increase	(Decrease)
<b>(7.4%)</b>	<b>9.4%</b>	(8.3%)	10.6%

The effect of an increase or decrease of 1% in the assumed inflation rates are as follows:

2016		2015	
Effect of a 1%		Effect of a 1%	
Increase	(Decrease)	Increase	(Decrease)
<b>9.0%</b>	<b>(7.2%)</b>	10.1%	(8.1%)

The sensitivity analysis presented above may not be representative of the actual change in the obligation as it is unlikely that the above changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

The group and employees expect to make a contribution of R108 000 (2015: R117 000) to the retirement benefit plan during the next financial year.

#### Description of risk management

There has been no change in the process used by the group to manage its risks from prior periods.

## 23 PROVISIONS

### Provision for onerous contracts

	Group	
	2016	2015
	R000	R000
Opening balance	<b>39 730</b>	6 873
Charged to income statement	<b>68 194</b>	20 638
Foreign exchange (loss)/gain	<b>(9 678)</b>	12 219
Balance at 31 December	<b>98 246</b>	39 730
Current portion included under current liabilities	<b>(87 520)</b>	(39 730)
Non-current portion of onerous contract provisions	<b>10 726</b>	-

### Provision for share-price-linked option scheme

Opening balance	<b>36 028</b>	104 132
Charged/(released) to income statement	<b>8 844</b>	(49 445)
Foreign exchange (loss)/gain	<b>(46)</b>	883
Utilisation of provision	-	(19 542)
Balance at 31 December	<b>44 826</b>	36 028
Current portion included under current liabilities	-	(7 936)
Non-current portion of share-price-linked option scheme	<b>44 826</b>	28 092
Total	<b>55 552</b>	28 092



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 23 PROVISIONS (CONTINUED)

### Onerous contracts

The provision for onerous contracts relates to the cash outflows expected to arise over the course of the relevant contracts based on current estimates of the loss arising from these contracts.

### Provision for share-price-linked option scheme

The share-price-linked option provision relates to a remuneration scheme whereby certain employees of Grindrod Limited are entitled to receive a cash settlement based on the excess of the market price of shares over an agreed upon strike price. Refer to note 32.

### Cash-settled share-based payment scheme

The Financial Services division has offered share appreciation rights linked to the growth in value of Grindrod Financial Holdings Ltd and GFS Holdings (Pty) Ltd. In terms of the plan participants are allocated notional shares at an approved allocation price and the division is required to pay a share appreciation bonus equal to the difference between the fair market value and the allocation price of the shares to the participant at each vesting date. The share appreciation rights vest in equal tranches after three, four and five years. An employee's right to participate in the scheme terminates upon leaving the employment of the division.

	<b>Group</b>	
	<b>2016</b>	2015
	<b>R000</b>	R000
<b>Current portion of provisions included under current liabilities</b>		
Onerous contract provisions	<b>(87 520)</b>	(39 730)
Provision for share price linked option scheme	-	(7 936)
	<b>(87 520)</b>	(47 666)

	<b>Group</b>	
	<b>2016</b>	2015
	<b>R000</b>	R000
<b>24 DEPOSITS FROM BANK CUSTOMERS</b>		
Measured at amortised cost		
Call deposits	<b>10 594 132</b>	6 964 781
Notice and fixed deposits	<b>3 016 008</b>	2 969 992
Interest accrued	-	44 966
	<b>13 610 140</b>	9 979 739
Amounts owed to corporate banking depositors	<b>6 069 345</b>	5 349 315
Amounts owed to retail banking depositors	<b>7 345 145</b>	4 389 636
Amounts owed to banks	<b>195 650</b>	240 788
	<b>13 610 140</b>	9 979 739
<b>Contractual maturity analysis</b>		
Withdrawable on demand	<b>10 594 132</b>	6 964 781
Maturing within one month	<b>405 220</b>	542 664
Maturing after one month but within six months	<b>2 216 323</b>	2 074 227
Maturing after six months	<b>394 465</b>	353 101
Interest accrued	-	44 966
	<b>13 610 140</b>	9 979 739
The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date.		
<b>Sectoral analysis:</b>		
Banks	<b>195 650</b>	240 788
Government and public sector	<b>72 552</b>	62 952
Individuals	<b>8 180 351</b>	5 364 511
Business sector	<b>5 161 587</b>	4 311 488
	<b>13 610 140</b>	9 979 739
<b>Geographical analysis:</b>		
South Africa	<b>13 610 140</b>	9 979 739
Included in deposits are funds from related parties earning interest at market related rates:		
Directors (directly or indirectly)	<b>8 792</b>	8 208



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>25 TRADE AND OTHER PAYABLES</b>				
Trade creditors	640 080	555 461		
Accrued expenses	721 522	1 126 398	14 578	13 014
Operating lease accrual	19 930	14 850		
Shareholder loans	-	16		
Other payables	720 599	610 519	1 205	647
Shareholders for dividends	34 469	31 271	34 469	31 245
Amounts due to subsidiaries			84 329	40 220
Current portion of derivative financial liabilities (note 10.7)	6 334	102 773		
Included in non-current liabilities associated with assets classified as held for sale (note 18)	(516 033)	-		
	<b>1 626 901</b>	<b>2 441 288</b>	<b>134 581</b>	<b>85 126</b>

Trade and other payables, other than the current portion of derivative financial liabilities, are measured at amortised cost, and their carrying amount approximates fair value. Trade and other payables are predominantly non-interest bearing.

Included in the current portion of financial liabilities are the following:

	Group	
	2016 R000	2015 R000
Forward exchange contracts on ships and other trading commitments	-	25 182
Futures and options	-	31 164
Bunker swaps	-	46 224
Forward freight agreements	6 334	203
	<b>6 334</b>	<b>102 773</b>

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>26 REVENUE</b>				
Revenue comprises the net invoiced value of clearing and forwarding, shipping and transport services, gross revenue earned from ship and locomotive sales, sea freight, chartering, warehousing, depot operations, net interest and fee income of the financial institution, ancillary services, investment income and revenue from sale of commodities and is analysed as follows:				
Charter hire	1 038 910	863 169		
Freight revenue	4 148 115	4 458 766		
Sale of commodities	87 808	480 235		
Net interest income of the financial institution	156 594	122 027		
Fee income of the financial institution	254 598	255 436		
Dividends received	89 770	81 989	120 366	541 911
Handling revenue	2 719 229	3 370 954		
Other revenue	355 916	401 379	-	27 012
Ship sales	180 843	158 414		
	<b>9 031 783</b>	<b>10 192 369</b>	<b>120 366</b>	<b>568 923</b>

	<b>Group</b>	
	<b>2016</b>	2015
	<b>R000</b>	R000
<b>26 REVENUE (CONTINUED)</b>		
<b>Analysis of the financial institution's net interest income included above:</b>		
Interest income	<b>742 071</b>	582 849
Advances	<b>556 858</b>	380 359
Preference share dividends, advances portfolio	-	57 754
Balances at banks and short-term funds	<b>142 094</b>	112 166
Preference share dividends, negotiable securities portfolio	<b>7 696</b>	6 788
Other short-term securities	<b>40 312</b>	29 728
Paid on derivative instruments	<b>(4 889)</b>	(3 946)
Interest expense	<b>585 477</b>	460 822
Call deposits	<b>264 204</b>	175 035
Notice and fixed deposits	<b>91 818</b>	72 156
Other interest expense	<b>84 512</b>	91 406
Prime linked notice deposits	<b>144 943</b>	122 225
Net interest income	<b>156 594</b>	122 027
Interest income calculated using the effective interest method	<b>156 594</b>	122 027
Interest income at fair value through profit or loss	-	-
	<b>156 594</b>	122 027



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

	Group		Company	
	2016 R000	2015* R000	2016 R000	2015 R000
<b>27 OPERATING (LOSS)/PROFIT BEFORE INTEREST AND TAXATION</b>				
Operating (loss)/profit before interest and taxation includes the following:				
<b>Other income</b>				
Net foreign exchange gains	4 835	39 914	16	5
Pension fund surplus recognised	8 779	6 579		
Other sundry income	226 373	177 686	10 692	-
Net gain on financial instruments	10 569	-		
<b>Operating expenses</b>				
Voyage expenses	4 514 122	4 295 055		
Charter hire	2 406 961	2 084 727		
Fuel	732 838	891 395		
Port expenses	488 350	374 254		
Other voyage expenses	885 973	944 679		
Cost of sales	1 574 419	2 028 572		
Agricultural commodities	-	28 042		
Bunker fuels	58 081	82 385		
Container handling and logistics	623 709	798 746		
Merchandise	69 451	366 172		
Ships	196 870	158 062		
Other commodities	626 308	595 165		
Distribution and selling costs	161 776	183 856	4 432	606
Staff costs	1 364 071	1 466 069	15 833	17 202
Other operating expenses	1 198 628	1 341 502	3 657	15 538
Net loss on financial instruments	-	2 594		
<b>Depreciation and amortisation</b>				
Amortisation				
Leasehold properties	15 768	10 972		
Ships	58 839	48 940		
Depreciation – owned assets				
Ships	236 839	291 837		
Other	201 018	245 888		
Depreciation – capitalised leased assets				
Other	5 748	14 736		
Amortisation of intangible assets	65 849	63 109		

	Group		Company	
	2016 R000	2015* R000	2016 R000	2015 R000
<b>27 OPERATING (LOSS)/PROFIT BEFORE INTEREST AND TAXATION (CONTINUED)</b>				
<b>The above costs are arrived at after including:</b>				
Auditors' remuneration				
Audit fees – current year provision	<b>38 831</b>	38 524	<b>2 100</b>	2 800
Prior year over provision	<b>(1 018)</b>	(2 493)	<b>-</b>	(16)
Fees for other services	<b>1 877</b>	2 202	<b>43</b>	300
Expenses	<b>173</b>	156		
Operating lease rentals				
Land and buildings	<b>227 848</b>	179 071		
Ships	<b>2 602 290</b>	2 249 764		
Other	<b>14 796</b>	29 910		
Professional fees				
Administrative and managerial	<b>24 601</b>	21 438		
Technical/projects	<b>25 474</b>	34 492		
Share-based expenses	<b>11 762</b>	12 969		

\* The comparative foreign exchange gains and losses has been reported on a net basis as this reflects more appropriate disclosure, as allowed in terms of IAS1 Presentation of financial statements.

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>28 NON-TRADING ITEMS</b>				
Impairment of intangibles, ships, property, terminals, vehicles and equipment	<b>(230 246)</b>	(1 205 990)		
Impairment of goodwill	<b>(445 982)</b>	-		
Impairment of intangible assets	<b>(41 237)</b>	-		
Negative goodwill released	<b>-</b>	13 233		
(Loss)/profit on disposal of investments	<b>(18 799)</b>	216 919		
Impairment of other financial assets/investments	<b>(806 619)</b>	(612 365)	<b>-</b>	(2 009)
Profit on disposal of property, terminals, vehicles and equipment	<b>3 380</b>	448		
Foreign currency translation reserve recycled on cessation of operations following restructure	<b>120 261</b>	124		
	<b>(1 419 242)</b>	(1 587 631)	<b>-</b>	(2 009)





# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>29 NET FINANCE COSTS</b>				
Interest received	<b>348 528</b>	254 063	<b>46 413</b>	34 473
Interest paid	<b>(257 864)</b>	(220 731)	-	-
	<b>90 664</b>	33 332	<b>46 413</b>	34 473
Interest received on loans and receivables at amortised cost	<b>348 528</b>	254 063	<b>46 413</b>	34 473
Interest paid is classified as follows:				
Financial liabilities held at amortised cost	<b>(257 864)</b>	(220 731)	-	-

Net finance costs excludes interest from the financial institution of the group which is shown as revenue in note 26.

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>30 TAXATION</b>				
<b>South African normal taxation</b>				
Current				
On income for the year	<b>(63 995)</b>	(87 456)	<b>(2 713)</b>	(4 525)
Capital gains taxation	<b>(6 711)</b>	(33)		
Prior year	<b>(7 767)</b>	(7 033)	-	(86)
Withholding taxes	<b>(1 570)</b>	(2 465)		
Deferred				
On (income)/loss for the year	<b>(28 686)</b>	(4 972)	<b>427</b>	382
Prior year	<b>1 555</b>	4 952	-	-
<b>Foreign</b>				
Current				
On income for the year	<b>(35 265)</b>	(47 574)		
Prior year	<b>(3 716)</b>	(474)		
Withholding taxes	<b>(1 930)</b>	(12 282)		
Deferred				
On income for the year	<b>(41 273)</b>	(37 305)		
Prior year	<b>(2 561)</b>	4 386		
	<b>(191 919)</b>	(190 255)	<b>(2 286)</b>	(4 229)

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
<b>30 TAXATION (CONTINUED)</b>				
<b>Effective rate of taxation*</b>				
Normal rate of taxation	<b>(28.0)</b>	(28.0)	<b>28.0</b>	28.0
Adjusted for:				
Current year taxation losses not utilised	<b>6.8</b>	2.4	-	-
Exempt income	<b>(7.6)</b>	(13.8)	<b>(30.3)</b>	(28.4)
Non-taxable foreign items	<b>14.0</b>	12.6		
Non-allowable items	<b>27.1</b>	43.4	<b>3.8</b>	1.1
Capital gains taxation	<b>0.2</b>	(0.6)		
Prior year	<b>0.7</b>	(0.1)	-	-
Withholding taxation and investment tax credit	<b>0.1</b>	0.9		
Effective rate of taxation	<b>13.3</b>	16.8	<b>1.5</b>	0.7
Effective rate of taxation on profit including joint ventures and associates	<b>(13.2)</b>	(21.0)		

\* Effective rate of taxation is based on profit before taxation, share of associate companies' profit and share of joint venture companies' profit.

Subsidiary companies have estimated taxation losses of R1 696 851 000 (2015: R1 698 720 000), of which R988 879 000 (2015: R1 220 217 000) has been utilised in the calculation of deferred taxation.

The Shipping and Trading entities within the group operate under the Singapore Approved International Shipping Enterprise Incentive (AIS) rules, for corporate taxation purposes. The Singapore AIS regime exempts from corporate income taxes the profits of qualifying activities. Non-qualifying activities are taxed at normal corporate income taxation rates.

The tax rate used in the effective rate of taxation reconciled above is the corporate tax rate of 28% payable by corporate entities in South Africa in terms of the law in South Africa.

Exempt income relates mainly to dividends received.

Non-allowable items mainly relate to impairments.

Non-taxable foreign items mainly relate to differences on foreign subsidiaries taxation rates.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

		Group	
		2016	2015
		R000	R000
<b>31</b>	<b>EARNINGS PER SHARE</b>		
	Basic earnings reconciliation		
	Loss attributable to Grindrod Limited shareholders	<b>(1 839 725)</b>	(1 365 332)
	Less preference dividends	<b>(67 970)</b>	(61 141)
	Loss attributable to ordinary shareholders	<b>(1 907 695)</b>	(1 426 473)
	Basic loss per share is based on a loss of	<b>(1 907 695)</b>	(1 426 473)
	and on the weighted average number of shares in issue for the year	(000s) <b>750 539</b>	751 452
	Diluted loss per share is based on a loss of	<b>(1 907 695)</b>	(1 426 473)
	and on the diluted weighted average number of shares in issue for the year	(000s) <b>753 712</b>	754 146
	Reconciliation of weighted average number of shares	(000s)	
	Basic average number of shares in issue	<b>750 539</b>	751 452
	Shares that will be issued for no value in terms of share option scheme	<b>3 173</b>	2 694
	Diluted average number of shares in issue	<b>753 712</b>	754 146
	Loss per share (cents)		
	Basic	<b>(254.2)</b>	(189.8)
	Diluted*	<b>(254.2)</b>	(189.8)
	Headline (loss)/earnings per share is based on a headline (loss)/earnings of	<b>(459 515)</b>	558 823
	and on the weighted average number of shares in issue for the year	(000s) <b>750 539</b>	751 452
	Diluted headline (loss)/earnings per share is based on a headline (loss)/earnings of	<b>(459 515)</b>	558 823
	and on the weighted average number of shares in issue for the year	(000s) <b>753 712</b>	754 146
	Headline (loss)/earnings per share	(cents)	
	Basic	<b>(61.2)</b>	74.4
	Diluted*	<b>(61.2)</b>	74.1

\* Diluted loss per share and diluted headline loss per share were calculated on weighted average number of shares due to the anti-dilutive effect of the long-term incentive scheme shares.

	<b>Group 2016</b>	
	<b>Gross R000</b>	<b>Net R000</b>
<b>31 EARNINGS PER SHARE (CONTINUED)</b>		
Headline earnings reconciliation:		
Loss attributable to ordinary shareholders		<b>(1 907 695)</b>
Adjusted for:		
Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment	<b>230 246</b>	<b>228 252</b>
Impairment of goodwill	<b>445 982</b>	<b>445 982</b>
Impairment of intangible assets	<b>41 237</b>	<b>33 972</b>
Net loss/(profit) on disposal of investments	<b>18 799</b>	<b>15 837</b>
Net profit on disposal of plant and equipment	<b>(3 380)</b>	<b>774</b>
Impairment of other financial assets/investments	<b>806 619</b>	<b>806 619</b>
Foreign currency translation reserve recycled on cessation of operations following restructure	<b>(120 261)</b>	<b>(120 261)</b>
Joint ventures:		
Net profit on disposal of ships, plant and equipment	<b>(253)</b>	<b>(253)</b>
Net profit on disposal of investments	<b>(216)</b>	<b>(216)</b>
Reversal of impairment of other financial assets/investments	<b>(12 175)</b>	<b>(12 175)</b>
Impairment of ships, property, terminals, vehicles and equipment	<b>49 649</b>	<b>49 649</b>
Headline loss	<b>1 456 247</b>	<b>(459 515)</b>
	2015	
	Gross R000	Net R000
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		(1 426 473)
Adjusted for:		
Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment	1 205 990	1 201 999
Net profit on disposal of investments	(216 919)	(216 919)
Net profit on disposal of property, terminals, vehicles and equipment	(448)	(448)
Impairment of other financial assets/investments	612 365	612 365
Foreign currency translation reserve recycled on cessation of operations following restructure	(124)	(124)
Negative goodwill released	(13 233)	(13 233)
Joint ventures:		
Net profit on disposal of ships, plant and equipment	(471)	(471)
Impairment of other financial assets/investments	17 252	17 252
NDR release/other non-trading items	2 447	2 447
Impairment of ships, property, terminals, vehicles and equipment	382 428	382 428
Headline earnings	1 989 287	558 823



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 32 SHARE-BASED PAYMENTS

### Equity-settled share option plan

The company has a share option scheme for certain employees of the group. The options vest over a total period of seven years from the option date as follows:

- a fifth of the options granted vests after three years;
- a further fifth of the options vests after four years;
- a further fifth of the options vests after five years;
- a further fifth of the options vests after six years; and
- a further fifth of the options vests after seven years.

Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. All options expire 10 years after grant.

Options are forfeited if the employee leaves the group before the options vest.

	Group			
	2016		2015	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Outstanding at the beginning of the year	400 000	1 251	900 000	1 251
Lapsed during the year	-	-	-	-
Exercised during the year	-	-	(500 000)	1 251
Outstanding at the end of the year	400 000	1 251	400 000	1 251
Exercisable at the end of the year	400 000		400 000	

No share options (2015: 500 000) were exercised in 2016. The weighted average share price at the date of exercise for the share options exercised during the current year was R12.51 (2015: R12.51). Details of the options outstanding at the end of the year are disclosed in the remuneration report on ► pages 65 to 73 of the integrated annual report.

The fair values were calculated using a stochastic model based on the standard binomial options pricing model. This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour.

**32 SHARE-BASED PAYMENTS (CONTINUED)****Equity-settled share option plan (continued)**

The valuation was performed by independent actuaries. The inputs into the model were as follows:

	<b>Group</b>	
	<b>2016</b>	2015
Weighted average share price	<b>1 253</b>	1 253
Weighted average exercise price	<b>1 253</b>	1 253
Expected rolling volatility		
Five-year expected option lifetime	<b>43.64%</b>	43.64%
Six-year expected option lifetime	<b>39.45%</b>	39.45%
Seven-year expected option lifetime	<b>34.82%</b>	34.82%
Expected option lifetime		
Vesting periods three and four	<b>5 years</b>	5 years
Vesting periods five and six	<b>6 years</b>	6 years
Vesting period seven	<b>7 years</b>	7 years
Risk-free rate based on zero-coupon government bond yield		
Five-year expected option lifetime	<b>7.41%</b>	7.41%
Six-year expected option lifetime	<b>7.47%</b>	7.47%
Seven-year expected option lifetime	<b>7.52%</b>	7.52%
Expected dividend yield	<b>3.38%</b>	3.38%
Forfeiture rate per annum compound	<b>10.00%</b>	10.00%

Expected volatility was determined by calculating an annualised standard deviation of the continuously compounded rates of return of the company's share. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of employee turnover and exercise behaviour.

The group recognised expenses related to these equity-settled share based payment transactions during the year, details of which have been disclosed in note 27.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 32 SHARE-BASED PAYMENTS (CONTINUED)

### Equity-settled forfeitable share plan

During 2012 the group introduced the Grindrod Forfeitable Share Plan (FSP). The scheme allows executive directors and senior employees to earn a long-term incentive to assist with the retention and reward of selected employees.

Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date.

The vesting of the shares is subject to continued employment for a period of three, four and five years or the employee will forfeit the shares.

On resignation, the employee will forfeit any unvested shares. On death or retirement only a portion of the shares will vest, calculated based on the number of months worked over the total vesting period.

In terms of IFRS 2, the transaction is measured at the fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to dividends from the grant date.

The fair value of the equity-settled shares subject to non-market conditions is the average share price at grant date.

	2016	2016	2015
<b>Date of grant</b>	<b>22/02/2016</b>	<b>28/09/2016</b>	23/02/2015
Number of shares granted and remaining at year-end	<b>1 076 000</b>	<b>100 000</b>	650 000
Share price at grant date	<b>9.61</b>	<b>12.00</b>	17.98
Estimated fair value per share at grant date	<b>9.61</b>	<b>12.00</b>	17.98

### Cash-settled share based payments

The group issues to certain employees share appreciation rights (SAR) that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise. The group has recorded liabilities of R44 837 000 (2015: R nil).

The group recorded total current year expense of R44 837 000 (2015 income: R49 445 000).

The fair values were calculated using a stochastic model based on the standard binomial options pricing model.

This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour.

The valuation was performed by independent actuaries. The inputs into the model were as follows:

	Group	
	2016	2015
Share price (cents)	<b>1 345</b>	1 129
Expected rolling volatility		
Three-year expected option lifetime	<b>40.15%</b>	38.26%
Four-year expected option lifetime	<b>38.97%</b>	36.36%
Five-year expected option lifetime	<b>37.95%</b>	34.52%
Expected option lifetime		
Vesting periods three	<b>3 years</b>	3 years
Vesting periods four	<b>4 years</b>	4 years
Vesting periods five	<b>5 years</b>	5 years
Risk-free rate based on zero-coupon government bond yield		
Three-year expected option lifetime	<b>7.32%</b>	7.39%
Four-year expected option lifetime	<b>7.37%</b>	7.68%
Five-year expected option lifetime	<b>7.43%</b>	7.91%
Expected dividend yield	<b>0.70%</b>	2.11%
Forfeiture rate per annum compound	<b>10.00%</b>	10.00%

	Group			
	2016 R000	2016 US\$000	2015 R000	2015 US\$000
<b>33 CAPITAL COMMITMENTS</b>				
Authorised and contracted for	131 278	–	122 723	25 304
Due within one year	131 278	–	11 020	25 146
Due between years one and two			110 884	82
Due thereafter			819	76
Authorised and not contracted for	23 037	17 582	–	16 541
<b>Total</b>	<b>154 315</b>	<b>17 582</b>	122 723	41 845
Financing guarantees	119 527		47 467	

Financing guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.

Irrevocable unutilised facilities to be advanced to Grindrod

Bank customers	138 867	149 611
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Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by the Bank.

The group's total capital commitments per category of significant assets are as follows:

	2017 R000	2018 R000	Thereafter R000	Total R000
<b>2016 – ZAR commitments</b>				
Property, terminals, machinery, vehicles and equipment	154 315	–	–	154 315
Intangible assets	–	–	–	–
<b>Total</b>	<b>154 315</b>	<b>–</b>	<b>–</b>	<b>154 315</b>

	2017 US\$000	2018 US\$000	Thereafter US\$000	Total US\$000
<b>2016 – USD commitments</b>				
Ships	–	–	–	–
Property, terminals, machinery, vehicles and equipment	15 602	1 570	410	17 582
Intangible assets	–	–	–	–
<b>Total</b>	<b>15 602</b>	<b>1 570</b>	<b>410</b>	<b>17 582</b>

	2016 R000	2017 R000	Thereafter R000	Total R000
<b>2015 – ZAR commitments</b>				
Property, terminals, machinery, vehicles and equipment	2 980	384	819	4 183
Intangible assets	8 040	500	–	8 540
<b>Total</b>	<b>11 020</b>	<b>884</b>	<b>819</b>	<b>12 723</b>

	2016 US\$000	2017 US\$000	Thereafter US\$000	Total US\$000
<b>2015 – USD commitments</b>				
Ships	24 737	–	–	24 737
Property, terminals, machinery, vehicles and equipment	409	58	47	514
Intangible assets	–	23	29	52
<b>Total</b>	<b>25 146</b>	<b>81</b>	<b>76</b>	<b>25 303</b>

These commitments will be funded by cash resources, cash generated from operations and bank financing facilities. The group has carried out a detailed liquidity planning exercise and is confident that it has the necessary resources to meet its capital and other commitments.





# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 34 CONTINGENT ASSETS/LIABILITIES

The company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R5 030 118 000 (2015: R5 895 868 000) of which R2 032 903 000 (2015: R2 714 947 000) had been utilised at the end of the year.

The company has guaranteed charter-hire payments of subsidiaries amounting to R665 767 000 (2015: R1 082 546 000). The charter-hire payments are due by the subsidiaries in varying amounts from 2017 to 2022.

Grindrod placed R190 618 106 (2015: 190 618 106) on deposit as security with the funders of the BEE consortium and provided a guarantee of R130 000 000 in their favour to secure the structure. Grindrod continues to have the ability, but no obligation, to increase its funding within the structure should the current lenders wish to exit.

	Group			
	2016		2015	
	Year-end rates	Average rates	Year-end rates	Average rates
<b>35 FOREIGN CURRENCY DENOMINATED ITEMS</b>				
All foreign currency denominated items are translated in terms of the group's policies.				
At 31 December exchange rates used on conversion were:				
United States dollar	13.69	14.73	15.60	12.78
Euro	14.46	16.20	17.01	14.18
Pound sterling	16.87	19.98	23.07	19.54
Singapore dollar	9.48	10.65	10.98	9.23
Japanese yen	0.12	0.13	0.13	0.10
Botswana pula	1.28	1.35	1.38	1.25
Tanzanian shilling	0.01	0.01	0.01	0.01
New metical	0.19	0.24	0.32	0.32

## 36 LEASES AND SHIP CHARTERS

### 36.1 Operating leases and ship charters

#### 36.1.1 Income

The minimum future lease and ship charters receivable under non-cancellable operating leases and charter party agreements are as follows:

	1 year R000	2 – 5 years R000	> 5 years R000	Group R000
<b>2016</b>				
Ships	198 367	217 738	–	416 105
Locomotives	155 381	616 463	63 570	835 414
Properties	28 418	88 700	–	117 118
	<b>382 166</b>	<b>922 901</b>	<b>63 570</b>	<b>1 368 637</b>
<b>2015</b>				
Ships	95 128	–	–	95 128
Locomotives	297 245	812 602	122 193	1 232 040
Properties	9 109	9 714	–	18 823
	401 482	822 316	122 193	1 345 991

	1 year R000	2 – 5 years R000	> 5 years R000	Group R000
<b>36 LEASES AND SHIP CHARTERS (CONTINUED)</b>				
<b>36.1 Operating leases and ship charters (continued)</b>				
<b>36.1.2 Expenditure</b>				
The minimum future lease and ship charters payable under non-cancellable operating leases and charter party agreements are as follows:				
<b>2016</b>				
Ships	1 115 600	2 003 008	218 826	3 337 434
Properties	148 379	357 734	272 162	778 275
Terminals, machinery, vehicles and equipment	4 698	668	–	5 366
	<b>1 268 677</b>	<b>2 361 410</b>	<b>490 988</b>	<b>4 121 075</b>
<b>2015</b>				
Ships	1 269 628	2 703 046	484 146	4 456 820
Properties	207 076	401 159	229 296	837 531
Terminals, machinery, vehicles and equipment	8 012	1 553	–	9 565
	1 484 716	3 105 758	713 442	5 303 916

The group has the option to extend the ship charters at predetermined rates in respect of certain ships. In addition, the group has the option to acquire certain ships at predetermined prices.

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>37 CASH FLOW</b>				
<b>37.1 Reconciliation of operating (loss)/profit before interest and taxation to cash generated from/(utilised in) operations</b>				
Operating (loss)/profit before interest and taxation	<b>(114 738)</b>	423 418	<b>107 152</b>	535 582
Adjustments for:				
Depreciation	<b>518 212</b>	612 373		
Share option expense	<b>11 762</b>	12 969		
Dividends received			<b>(120 366)</b>	(541 911)
Amortisation of intangible assets and drydocking	<b>65 849</b>	63 109		
Non-cash financial instruments and foreign exchange losses/(gains)	<b>(13 076)</b>	(50 213)		
Loss/(profit) on sale of ships and locomotives	<b>676</b>	(352)		
Fair value adjustment on financial services instruments	<b>(42 725)</b>	129 593		
Operating profit/(loss) before working capital changes	<b>425 960</b>	1 190 897	<b>(13 214)</b>	(6 329)
Working capital changes				
Increase in inventories	<b>(264 500)</b>	(69 933)		
Decrease/(increase) in trade and other receivables	<b>341 386</b>	203 763	<b>113</b>	(2 193)
(Decrease)/increase in trade and other payables	<b>(11 137)</b>	87 892	<b>5 346</b>	(9 032)
Cash generated from/(utilised in) operations	<b>491 709</b>	1 412 619	<b>(7 755)</b>	(17 554)



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>37 CASH FLOW (CONTINUED)</b>				
<b>37.2 Dividends paid</b>				
Dividends paid by company and group	<b>(113 495)</b>	(355 581)	<b>(113 801)</b>	(317 360)
<b>37.3 Taxation paid</b>				
Balance at the beginning of the year	<b>(36 250)</b>	(43 610)	<b>(1 748)</b>	(4 488)
Current year	<b>(120 954)</b>	(157 316)	<b>(2 713)</b>	(4 611)
Foreign exchange translation	<b>(5 516)</b>	(17 690)		
Businesses acquired/disposed	<b>3 280</b>	(5 885)		
Transferred to non-current assets held for sale (note 18)	<b>(762)</b>	-		
Balance at the end of the year	<b>49 859</b>	36 250	<b>1 735</b>	1 748
Taxation paid	<b>(110 343)</b>	(188 251)	<b>(2 726)</b>	(7 351)
<b>37.4 Property, plant and equipment acquired</b>				
Additions – ships	<b>(368 145)</b>	(198 980)		
Additions – property, terminals, machinery, vehicles and equipment	<b>(233 621)</b>	(365 039)		
Cash flow on acquisition of property, terminals, machinery, vehicles and equipment	<b>(601 766)</b>	(564 019)	-	-
<b>37.5 Acquisition of subsidiaries, joint ventures and associates</b>				
During the year, the group acquired interests in subsidiaries and joint ventures as follows:				
Property, plant and equipment	<b>(12 527)</b>	91 952		
Investments	-	480	<b>(50 000)</b>	(676 153)
Working capital	<b>(648)</b>	102 294		
Cash and bank	<b>(57)</b>	(616)		
Long-term liabilities	<b>7 682</b>	(23 779)		
Business combination reserve	-	(19 193)		
Interest in preference share investment and joint venture companies acquired	-	(378 751)		
Non-controlling interest	<b>1 383</b>	(1 494)		
Deferred taxation	-	(3 179)		
Intangibles	<b>(42 559)</b>	-		
Total	<b>(46 726)</b>	(232 286)	<b>(50 000)</b>	(676 153)
Earnout	<b>13 690</b>	-		
Less: profit on sale of disposal of investment in joint ventures	-	211 599		
Total purchase consideration	<b>(33 036)</b>	(20 687)		
Less cash and cash equivalents	<b>57</b>	616		
Cash acquired	<b>(32 979)</b>	(20 071)	<b>(50 000)</b>	(676 153)

	Group		Company	
	2016 R000	2015 R000	2016 R000	2015 R000
<b>37 CASH FLOW (CONTINUED)</b>				
<b>37.6 Disposal of businesses</b>				
The group disposed of its interests in subsidiaries and joint ventures as follows:				
Property, plant and equipment	1 381	–		
Intangibles	54 608	–		
Investments	62 252	–		
Working capital	(20 548)	(60 983)		
Cash and bank	40 272	8 405		
Taxation	(3 280)	6 527		
Non-current assets held for sale	–	40 071		
Business combination reserve	16 605	1 523		
Deferred taxation	6 741	–		
	<b>158 031</b>	(4 457)		
Profit on disposal	(50 299)	5 320		
Total purchase price	<b>107 732</b>	863		
Less cash and cash equivalents	(40 272)	(8 405)		
Cash flow on disposal net of cash disposed of	<b>67 460</b>	(7 542)		
<b>37.7 Cash and cash equivalents</b>				
Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:				
	<b>9 478 073</b>	8 393 256	<b>3 154</b>	5 677
Deposits with the SA Reserve Bank	169 218	173 400		
Interbank call deposits	7 257 267	4 944 636		
Bank balances and cash	<b>2 051 588</b>	3 275 220	<b>3 154</b>	5 677
Bank and cash balances included in non-current assets held for sale (note 18)	(155 214)	3 360		
Bank overdrafts	(28 402)	(55 699)		
	<b>9 294 457</b>	8 340 917	<b>3 154</b>	5 677
Amounts included in cash and cash equivalents relating to financial services subsidiaries where the balances form part of the reserving requirements as required by the Banks Act. Reserving requirements do not include all liquidity with SARB.	<b>7 426 485</b>	5 118 036		



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 38 BUSINESS COMBINATIONS

### 38.1 Acquisition of subsidiaries, joint ventures and associates

During the year, the group acquired the following interests:

Company acquired	Nature of business	Percentage acquired	Interest acquired 2016	Purchase consideration R000
Nacala Intermodal Terminal Investments	Integrated logistics	75.0%	31 October	46 726
<b>Total purchase consideration</b>				<b>46 726</b>

#### Reasons for acquisitions

The reason for the acquisition was to obtain a majority share in the existing container depot outside the Port of Nacala, Mozambique which will serve as an anchor point for the integrated logistics supply chain in the Nacala corridor. The initial accounting for Nacala Intermodal Terminal Investments has only been provisionally determined at the end of the reporting period.

#### Impact of the acquisitions on the results of the group

From the dates of their acquisition, the acquired businesses contributed additional profits of R0.3 million.

Net assets acquired in the subsidiaries transactions and the goodwill/intangible assets arising, are as follows:

	Acquirees' carrying amount before combination at fair value R000
<b>Net assets acquired</b>	<b>R000</b>
Property, plant and equipment	12 527
Intangibles	42 559
Working capital	648
Cash and bank	57
Non-controlling interest	(1 383)
Long-term liabilities	(7 682)
Total	46 726
Earnout	(13 690)
Total purchase consideration	33 036
Cash acquired	(57)
Net assets acquired	32 979

### 38.2 Disposal of subsidiaries, joint ventures and associates

During the year, the group disposed of the following interests:

<b>Company disposed</b>	<b>Nature of business</b>	<b>Percentage disposed</b>	<b>Interest disposed 2016</b>	<b>Disposal consideration R000</b>
Grindrod Asset Management Holdings (Pty) Ltd	Financial services	100%	12 December	125 300
CoreShares	Financial services	100%	12 October	13 500
Vanguard Rigging (Pty) Ltd	Integrated logistics	50%	01 July	53 383
Vitol Coal South Africa BV	Terminals	35%	31 July	33 349
Total disposal consideration				225 532

#### Reasons for disposals

During the period, Grindrod Asset Management Proprietary Limited was rebranded to Bridge Fund Managers and the business was sold to Infinitus in which Grindrod Limited, via its subsidiary GFS Holdings (Pty) Limited, holds an interest. The transaction is expected to provide the business with expanded growth opportunities under its new identity and shareholding structure.

The disposal of the coal trading, machine handling and rigging businesses was to rationalise operations to assist in the delivery of the group's long-term goals.

<b>Net assets disposed</b>	<b>Fair value R000</b>
Property, plant and equipment	1 381
Intangibles	54 608
Investments	62 252
Taxation	(3 280)
Working capital	(20 548)
Cash and bank	40 272
Business combination reserve	16 605
Deferred taxation	6 741
Total	158 031
Earnout	(50 299)
Profit on disposal	-
Cash disposed	(40 272)
Net assets disposed	67 460



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 39 RELATED PARTY TRANSACTIONS

During each period the group, in the ordinary course of business, enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

	Group R000			Amounts due by/(to) related party
	Influence holders in the group	Associates	Joint ventures	
<b>2016</b>				
<b>Goods and services sold to:</b>				
Beitbridge Bulawayo Railway BEI001	-	-	12 201	17 113
Cockett Marine South Africa (Pty) Ltd	-	-	9 357	6 026
IM Shipping (Pte) Ltd	-	-	95 892	146 894
Kapele Freight & Logistics (Pty) Ltd	-	-	7 304	545
Gear Africa Ltd	-	-	-	8 224
GPR Leasing Africa (Pty) Ltd	-	-	262	435 735
GPR Leasing SA (Pty) Ltd	-	-	-	684 653
Moneyline 992 (Pty) Ltd	-	50 881	-	2
Maputo Port Development Company	-	-	-	1 222
Maputo Intermodal Container Depot, S.A	-	-	920	210
Newshelf 1279 (Pty) Ltd	46 032	-	-	492 855
NWK Ltd	-	1 414	-	11 580
Oreport (Pty) Ltd	-	-	401	6 312
OTGC Holdings (Pty) Ltd Group	-	-	2 337	55 193
Petrochemical Shipping Ltd	-	-	2 577	9 060
Petromoc – Petroleos de Mocambique S.A.R.L	-	25 651	-	-
RBT Grindrod Terminals (Pty) Ltd	-	-	66 737	61 948
Röhlig Grindrod (Pty) Ltd	-	-	103 052	132 763
Senwes Ltd	-	7 964	-	228
Shakespeare Masiza	1 937	-	-	-
Terminal De Carvo da Matola Ltda	-	-	33 019	14
Tri-view Shipping Pte Ltd	-	-	41 760	35 019
Vitol Shipping Singapore Pte Ltd	-	-	331 705	-
IVS Bulk Pte Ltd	-	-	-	279 098
Engen Petroleum Ltd	-	-	-	6 313
NLPI Ltd	-	-	13 290	2 282
ADOPT-A-SCHOOL FOUNDATION	-	-	-	20 000
Island Bulk Carriers Pte Ltd	-	-	-	27
Corr-Line Steel & Roof (Pty) Ltd	-	-	433	8 204
	<b>47 969</b>	<b>85 910</b>	<b>721 247</b>	<b>2 421 520</b>

39	RELATED PARTY TRANSACTIONS (CONTINUED)	Influence holders in the group	Group R000		Amounts due by/(to) related party
			Associates	Joint ventures	
	<b>Goods and services purchased from:</b>				
	Cockett Marine South Africa (Pty) Ltd	-	-	(69 277)	(5 799)
	Cockett Marine Oil Pte Ltd	-	-	(584 201)	(57 402)
	Gear South Africa (Pty) Ltd	-	-	(91)	(1 867)
	Island Bulk Carriers Pte Ltd	-	-	(2 651)	-
	IVS Bulk Pte Ltd	-	-	(48 447)	-
	GPR Leasing Africa (Pty) Ltd	-	-	(3 969)	(3)
	Tri-view Shipping Pte Ltd	-	-	(1 871)	-
	IM Shipping Pte Ltd	-	-	(74)	-
	Maputo Port Development Company	-	-	(21 603)	(12 691)
	OTGC Holdings (Pty) Ltd Group	-	-	-	(221)
	Petromoc – Petroleos de Mocambique S.A.R.L	-	(826)	-	-
	RBT Grindrod Terminals (Pty) Ltd	-	-	-	(221)
	Röhlig Grindrod (Pty) Ltd	-	-	(6 545)	(77 081)
	Corr-Line Steel & Roof (Pty) Ltd	-	-	-	(398)
		-	(826)	(738 729)	(155 683)





# NOTES TO THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2016

	Influence holders in the group	Group R000 Associates	Joint ventures	Amounts due by/(to) related party
<b>39 RELATED PARTY TRANSACTIONS (CONTINUED)</b>				
2015				
<b>Goods and services sold to:</b>				
Beitbridge Bulawayo Railway BEI001	-	-	924	-
Chromtech Holdings (Pty) Ltd	-	-	6 750	-
Corr-Line Steel & Roof (Pty) Ltd	-	-	638	10 280
Cockett Marine Oil Pte Ltd	-	-	16 200	485 543
IM Shipping Pte Ltd	-	-	94 994	163 753
Jacobs Bulk Milling (Pty) Ltd	-	-	-	3 633
Kapele Freight & Logistics (Pty) Ltd	-	-	1 736	4 138
Gear Africa Ltd	-	-	754	31 737
GPR Leasing Africa (Pty) Ltd	-	-	7 037	193 060
Grindrod Namibia Stevedoring (Pty) Ltd	-	-	-	48
Moneyline 992 (Pty) Ltd	-	958	-	5 085
Maputo Port Development Company	-	-	40 525	-
Maputo Intermodal Container Depot, S.A	-	-	360	69 444
Newshelf 1279 (Pty) Ltd	33 927	-	-	446 823
New Limpopo Bridge Projects Ltd	-	-	24 483	8 124
NWK Ltd	-	4 611	-	-
Oreport (Pty) Ltd	-	-	12 540	198 381
OTGC Holdings (Pty) Ltd Group	-	-	646	299
Petrochemical Shipping Ltd	-	-	5 171	[2 860]
Petromoc – Petroleos de Mocambique S.A.R.L	67 683	-	-	16 754
RBT Grindrod Terminals (Pty) Ltd	-	-	30 419	66 910
Röhlig Grindrod (Pty) Ltd	-	-	45 476	148 503
Senwes Ltd	-	18 756	-	-
Shakespeare Masiza	1 826	-	-	17 234
Sturrock Flex Shipping SARL	-	801	-	-
Terminal De Carvo da Matola Ltda	-	-	7 233	375 536
Tri-view Shipping Pte Ltd	-	-	39 171	46 098
Vanguard Rigging (Pty) Ltd	-	-	21 534	125 944
Vitol Coal SA South Africa BV	-	-	554 179	-
	103 436	25 126	910 770	2 414 467

39	RELATED PARTY TRANSACTIONS (CONTINUED)	Influence holders in the group	Group R000		Amounts due by/(to) related party
			Associates	Joint ventures	
	2015				
	<b>Goods and services purchased from:</b>				
	AAS Logistics (Pty) Ltd	-	-	-	20 000
	Beitbridge Bulawayo Railway BEI001	-	-	(7 108)	-
	Chromtech Holdings (Pty) Ltd	-	-	(2 670)	(72 952)
	Cockett Marine Oil Pte Ltd	-	-	(704 357)	-
	GPR Leasing Africa (Pty) Ltd	-	-	(4 252)	-
	Island Bulk Carriers Pte Ltd	-	-	(1 585)	(12 870)
	IVS Bulk Pte Ltd	-	-	(11 119)	6 380
	Kapele Freight & Logistics (Pty) Ltd	-	-	(4 718)	-
	Maputo Port Development Company	-	-	(153 513)	(3 245)
	Petromoc – Petroleos de Mocambique S.A.R.L	(895)	-	-	-
	Röhlig Grindrod (Pty) Ltd	-	-	(28 141)	-
	Röhlig-Grindrod, Ltda	-	-	(128)	(530)
	Vitol Coal SA South Africa BV	-	-	(192)	(437)
		(895)	-	(917 783)	(63 654)



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

		Company R000		
		Dividends received	Net guarantee fees and other expenses paid	Amounts due by/(to) related party
<b>39</b>	<b>RELATED PARTY TRANSACTIONS (CONTINUED)</b>			
	<b>2016</b>			
	<b>Subsidiaries</b>			
	Grindrod Freight Services (Pty) Ltd	11 049	-	726 084
	Grindrod Financial Holdings Ltd	89 230	5 786	1 268
	Grindrod Freight Investments (Pty) Ltd	-	-	(31 086)
	Grindrod South Africa (Pty) Ltd	-	(41)	2 561 566
	Grindrod Holdings (SA) (Pty) Ltd	-	-	(752)
	Grindrod Property Holdings Ltd	-	-	(570)
	Grindrod Property Holdings (Pty) Ltd	-	263	48
	Grindrod Property Leasing (Pty) Ltd	-	123	27
	Canosa Holdings Ltd	-	-	(1 975)
	Swallow Enterprises Incorporated	-	-	4 576
	Grindrod Shipping Pte Ltd	-	393	7 436
	Calulo Logistics Holdings (Pty) Ltd	-	-	(6 986)
	Unicorn Calulo Bunker Services (Pty) Ltd	-	674	153
	Sturrock Grindrod Maritime Holdings	-	885	221
	Grindrod Trading Asia Pte Ltd	-	2 566	2 545
	Grindrod Shipping South Africa (Pty) Ltd	-	2	-
	Grindrod Trading Holdings (Pty) Ltd	20 087	-	-
		<b>120 366</b>	<b>10 651</b>	<b>3 262 555</b>

39	RELATED PARTY TRANSACTIONS (CONTINUED)	Company R000		
		Dividends received	Net guarantee fees and other expenses paid	Amounts due by/(to) related party
	<b>2015</b>			
	<b>Subsidiaries</b>			
	Grindrod Freight Services (Pty) Ltd	428 816	-	726 084
	Grindrod Financial Holdings Ltd	49 706	8 745	1 780
	Grindrod Freight Investments (Pty) Ltd	-	-	(31 086)
	Grindrod South Africa (Pty) Ltd	-	(42)	2 610 083
	Grindrod Holdings (SA) (Pty) Ltd	-	405	(752)
	Grindrod Property Holdings Ltd	-	-	617
	Grindrod Property Holdings (Pty) Ltd	-	-	88
	Grindrod Property Leasing (Pty) Ltd	-	155	35
	Canosa Holdings Ltd	-	-	(1 390)
	Swallow Enterprises Incorporated	-	-	4 576
	Grindrod Shipping Pte Ltd	42 002	1 472	7 772
	Grindrod Shipping South Africa (Pty) Ltd	9 520	27	7
	Calulo Logistics Holdings (Pty) Ltd	-	-	(6 986)
	Grindrod Trading Holdings (Pty) Ltd	11 867	-	-
	Unicorn Calulo Bunker Services (Pty) Ltd	-	673	174
	Sturrock Grindrod Maritime Holdings	-	885	223
	Grindrod Trading Asia Pte Ltd	-	3 486	1 950
		541 911	15 806	3 313 175

#### Associates

Details of material investments in associates are set out in note 6.

#### Joint ventures

Details of interests in joint ventures are set out in note 5.

#### Subsidiaries

Details of investments in subsidiaries are set out in note 4 and in the schedule of interest in subsidiaries on ► pages 111 and 112.

#### Directors

Details of directors' interests in the company and directors' emoluments are set out in the remuneration report on ► pages 65 to 73 of the integrated annual report.

#### Shareholders

The principal shareholders of the company are detailed in the share analysis schedule on ► pages 92 and 93 of the integrated annual report.



# NOTES TO THE FINANCIAL STATEMENTS

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for the year ended 31 December 2016

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal risks to which the group is exposed through financial instruments are:

- foreign currency risk;
- commodity risk;
- shipping market risk;
- interest rate risk;
- credit risk;
- counterparty risk;
- liquidity risk; and
- solvency risk.

The group's overall strategy with regard to liquidity and financial risk is guided by the corporate objective to maximise the group's cash flow, actively manage its risk and reduce earnings volatility in a cost effective manner.

Divisional and group treasury aim to negotiate finer rates for borrowings and avoid restrictive covenants, which limit the board's flexibility to act. The group also aims to minimise transaction charges from the company's banks, maximise interest income and minimise interest cost through efficient cash management practices.

Commodity price exposure is managed by senior management. Main risk exposures are thermal coal, iron ore and copper.

### Treasury function

The treasury function incorporates the following main sections:

- foreign exchange management;
- cash management;
- funding and liquidity management;
- counterparty and credit risk management;
- interest rate exposure management; and
- bank relationship management.

### Treasury risk management

Treasury risks are managed through the implementation of effective policies and regular interactions between the group and divisional treasuries. In addition group treasury performs the following functions:

- forecast liquidity and funding requirements;
- foreign exchange cover levels based on the exchange rate views;
- performance of market risk management;
- interest rate exposure and cover levels; and
- reporting on divisional treasury positions.

### Financial director

The group financial director together with the divisional executives are responsible for the ultimate approval of day-to-day treasury activities and reporting on treasury matters.

### Executive committee

The executive committee reviews all treasury-related proposals and strategies that require board approval prior to submission.

### Board of directors

The board of directors is the highest approval authority for all treasury matters. A formal treasury review performed by the treasury department is tabled biannually. Material changes to the policies and urgent treasury matters as determined by the group's limits of authority are required to be submitted to the board.

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.1 Foreign currency risk

The objective of the foreign exchange exposure management policy is to ensure that all foreign exchange exposures are identified as early as possible and that the identified exposures are actively managed to reduce risk. All exposures are to reflect underlying foreign currency commitments arising from trade and, or foreign currency finance. Under no circumstances are speculative positions, not supported by normal trade flows, permitted.

The group is subject to economic exposure, transaction exposure and translation exposure.

- Economic exposure consists of planned net foreign currency trade in goods and services not yet manifested in the form of actual invoices and orders. Economic exposure is initially identified at the time of budget preparation and is progressively reviewed on a quarterly basis at the time of each budget revision.
- Transaction exposure consists of all transactions entered into which will result in a flow of cash in foreign currency at a future time, such as payments under foreign currency, long and short-term loan liabilities, purchases and sales of goods and services (from invoice date to cash payment or receipt), capital expenditure (from approval date until cash payment) and dividends (from declaration date to payment date). Commercial transactions shall only be entered in currencies that are readily convertible by means of formal external forward contracts.
- Translation exposure relates to the group's investments and earnings in non-ZAR currencies which are translated in the rand reporting currency. Translation exposure is not hedged.

In terms of group policy, foreign loan liabilities are not covered using forward exchange contracts as these are covered by a natural hedge against the underlying assets.

The group's policy is to forward cover all trade commitments that are not hedged by a foreign currency revenue stream and to cover the rand funded element of capital commitments.

Monetary items are converted to rand at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year-end to settlement date, as provided by independent financial institutions.

#### Foreign currency balances

The uncovered foreign currency denominated balances at 31 December were as follows:

	Group			
	2016 US\$000	2016 R000	2015 US\$000	2015 R000
Loans	(149 368)	(2 044 849)	(176 614)	(2 755 179)
Trade and other receivables	177 011	2 423 280	152 096	2 372 692
Trade and other payables	(89 080)	(1 219 511)	(53 932)	(841 334)
Bank balances	82 183	1 125 085	149 624	2 334 139
Bank overdraft	(20 390)	(279 142)	(865)	(13 494)
Subtotal	356	4 863	70 309	1 096 824
Less: Non-current liabilities held for sale	(38 447)	(526 342)	(1 465)	(22 855)
	(38 091)	(521 479)	68 844	1 073 969

#### Sensitivity analysis

At year-end the sensitivity of the net open exposure on the operating profit is as follows:

	Group	
	2016 R000	2015 R000
Net exposure		
+10%	15 475	238 904
-10%	(16 899)	(238 904)



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.2 Commodity risk

The group uses commodity futures and options to manage exposure to commodity price risk where the positions are not naturally economically hedged through the combination of holding inventory, forward sales contracts and forward purchase contracts. In instances where the commodity prices are traded in foreign currency, the foreign exchange exposure is covered by forward exchange contracts.

#### Sensitivity analysis

At year-end, the sensitivity of the net open exposure on the operating profit is as follows:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>R000</b>	R000
Net exposure		
+10%	<b>304</b>	(4 156)
-10%	<b>(304)</b>	4 156

### 40.3 Shipping market risk

The group is exposed to the fluctuations in market conditions in the shipping industry. Management continually assesses shipping markets through the use of a detailed shipping model using their experience and detailed research. Risks are managed by fixing tonnage on longer term charters, contracts of affreightment and entering into forward freight agreements. Refer to the risk management policies in the sustainability report in the integrated annual report for further details.

### 40.4 Interest rate risk

#### 40.4.1 Interest rate risk of the group (excluding financial institution)

The group monitors its exposure to fluctuating interest rates and generally enters into contracts that are linked to market rates relative to the currency of the asset or liability. The group makes use of derivative instruments, such as interest rate swaps to manage this exposure, from time to time.

The interest rate profile of the group is summarised as follows:

	<b>2016</b>	2015
	<b>R000</b>	R000
Loans linked to LIBOR	<b>1 989 659</b>	2 263 048
Loans linked to SA prime rate	<b>962 107</b>	983 977
Loans linked to JIBAR	<b>494 539</b>	590 369
Loans linked to Mozambique FPC	<b>19 345</b>	43 895
Short-term borrowings linked to LIBOR	<b>314 336</b>	434 031
Short-term borrowings linked to SA prime rate	<b>213 957</b>	48 304
Loans with a fixed interest rate	<b>649</b>	909
Subtotal	<b>3 994 592</b>	4 364 533
Less: Non-current liabilities held for sale	<b>(667 541)</b>	(5 005)
Total	<b>3 327 051</b>	4 359 528

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on ► page 114.

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2016 is as follows: local rates are between 7.25% and 13.50% (2015: 7% and 11%), foreign rates are between 3.12% and 29.25% (2015: 1.4% and 15%). Floating rates of interest are based on LIBOR (London inter-bank offered rate – for USD borrowings) and on JIBAR (Johannesburg inter-bank agreed rate – for SA borrowings). Fixed rates of interest are based on contract rates. Interest rate swaps are taken in order to fix interest rates on certain loans.

#### Sensitivity analysis

At year-end the sensitivity of the net open exposure of floating interest rates on the operating profit is as follows:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>R000</b>	R000
Net exposure		
+50 BPS (2015: +50 BPS)	<b>1 852</b>	4 430
-50 BPS (2015: -50 BPS)	<b>(1 852)</b>	(4 430)

The interest rate sensitivity results in higher income as there was a greater impact in interest received compared to interest paid.

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.4 Interest rate risk

#### 40.4.2 Interest rate risk of the financial institution

There is a risk that fluctuating interest rates will unfavourably affect a financial institution's earnings and the value of its assets, liabilities and capital. The risk is due to assets and liabilities maturing or repricing at different times, or against different base rates. The amount at risk is a function of the magnitude and direction of interest rate changes, and the size and maturity structure of the mismatch position.

#### *Interest rate risk management*

Traditional gap analysis is used to measure interest rate exposure. The Bank has a conservative policy on interest rate risk arising from gapping and the duration of this exposure is limited to three months for material aggregated positions or hedged using derivative instruments. The static interest rate gap report is prepared monthly for review by the asset and liability committee and the model assumes each asset class will reprice in full in the relevant repricing timeband.

Interest rate repricing gap	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-rate sensitive	Total
<b>2016</b>							
Assets	14 074 349	190 184	–	357 868	204 342	329 848	15 156 591
Equity and liabilities	(12 859 955)	(757 065)	(244 386)	(143 657)	–	(1 151 528)	(15 156 591)
Interest rate hedging activities	557 289	–	–	(383 809)	(173 480)	–	–
Repricing profile	1 771 683	(566 881)	(244 386)	(169 598)	30 862	(821 680)	–
Cumulative repricing profile	1 771 683	1 204 802	960 416	790 818	821 680	–	–
Expressed as a percentage of total assets of the financial institution	11.7%	7.9%	6.3%	5.2%	5.4%		
<b>2015</b>							
Assets	10 594 428	–	–	235 884	74 944	325 523	11 230 779
Equity and liabilities	(9 811 970)	(320 037)	(124 854)	(43 696)	–	(930 222)	(11 230 779)
Interest rate hedging activities	309 383	–	–	(264 791)	(44 592)	–	–
Repricing profile	1 091 841	(320 037)	(124 854)	(72 603)	30 352	(604 699)	–
Cumulative repricing profile	1 091 841	771 804	646 950	574 347	604 699	–	–
Expressed as a percentage of total assets of the financial institution	9.7%	6.9%	5.8%	5.1%	5.4%		
<b>Interest income sensitivity</b>							
				< 3 months	> 3 months < 6 months	> 6 months < 1 year	Total
<b>2016</b>							
2% interest rate increase				5 553	7 182	17 113	29 848
2% interest rate decrease				(5 532)	(7 122)	(16 636)	(29 290)
<b>2015</b>							
2% interest rate increase				6 265	7 329	15 805	29 399
2% interest rate decrease				(6 227)	(7 272)	(15 348)	(28 847)

#### *Hedging*

Hedging is a technique used to reduce risk by simultaneously entering into a transaction to be hedged and a transaction with equivalent characteristics in terms of size, duration and interest rate but with opposite financial effect.

All fixed rate transactions are required to be hedged, either within the book or synthetically with derivative instruments, whenever a 1% parallel shift in the yield curve could result in a loss exceeding the amounts specified in the policy matrix (maximum loss tolerance R200 000).





# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.5 Credit risk

Credit risk refers to the risk of financial loss resulting from failure of a counterparty to an asset, for any reason, to fully honour its financial and contractual obligations. Potential areas of credit risk consist of cash and cash equivalents, bank advances, trade debtors and other receivables. The group limits its exposure in relation to cash balances by only dealing with well-established financial institutions of high-quality credit standing. Credit risk management applied by the group involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. These procedures help to ensure the credit quality of the group's financial assets. The spread of risk in relation to trade and other debtors is summarised as follows:

	Shipping		Freight Services		Group		Total	
	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000
<b>2016</b>								
Trade debtors	230	188 406	1 746	816 974	14	228 938	1 990	1 234 318
Transfer to non-current assets held for sale	-	-	(104)	(194 569)	-	-	(104)	(194 569)
	<b>230</b>	<b>188 406</b>	<b>1 642</b>	<b>622 405</b>	<b>14</b>	<b>228 938</b>	<b>1 886</b>	<b>1 039 749</b>
<b>2015</b>								
Trade debtors	215	330 028	1 877	821 087	77	429 508	2 169	1 580 623
Transfer to non-current assets held for sale	-	-	-	-	(60)	(70 181)	(60)	(70 181)
	215	330 028	1 877	821 087	17	359 327	2 109	1 510 442

#### Credit risk management

##### Trade debtors

The group aims to minimise loss caused by default of our customers through specific group-wide policies and procedures. Compliance with these policies and procedures is the responsibility of the divisional and other financial managers. Monitoring of compliance with these policies is done by internal audit. All known risks are required to be fully disclosed and accounted for and are provided against as doubtful debts. Certain divisions have obtained Credit Guarantee Insurance Cover to manage the risk of default by debtors.

##### Granting credit

The group assesses the credit worthiness of potential and existing customers by obtaining trade references, credit references and evaluating the business acumen of the client. Once this review has been performed, the applied credit limit is reviewed and approved.

##### Credit risk management

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. The credit committee is responsible for ensuring that credit approval processes are stringent and for monitoring large exposures, associated exposures, sectoral exposure and any irregular or problem loans.

##### Credit risk mitigation

The Bank does not have material netting arrangements.

The Bank actively manages and monitors risk concentrations resulting from credit mitigation activities and these tend to arise where guarantees have been taken in addition to other classes of security. The Bank tends to deal with small to medium size corporates and guarantees and suretyships tend to come from similar types of entities.

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.5 Credit risk (continued)

#### Monitoring exposure

The group monitors exposures on an ongoing basis utilising the various reporting tools and flagging potential risks. The following reports are used to monitor credit risk: overdue report, age analysis and late payment history.

	Group	
	2016	2015
	R000	R000
Carrying amount of financial assets impaired during the year	<b>80 683</b>	313 753
Maximum credit risk exposure to the group is:		
Other investments	<b>1 692 613</b>	1 480 566
Finance lease receivables	<b>730</b>	37 912
Loans and advances	<b>5 854 734</b>	4 915 854
Trade and other receivables before allowance for doubtful debts	<b>2 391 911</b>	2 911 771
Liquid assets and short-term negotiable securities	<b>1 801 065</b>	1 065 730
Cash and cash equivalents	<b>9 478 073</b>	8 393 256
	<b>21 219 126</b>	18 505 089
Analysis of the ageing of financial assets which are past due but have not been impaired:		
Current	<b>124 633</b>	118 278
30 days	<b>62 776</b>	109 223
60 days	<b>25 071</b>	54 850
90 days	<b>43 125</b>	42 969
120+ days	<b>174 628</b>	321 260
Total	<b>430 233</b>	646 580

Refer to note 13 for analysis of ageing of loans and advances.

### 40.6 Counterparty risk

The risk that a counterparty to a transaction fails to perform in terms of the contract resulting in a potential cost to replace the cash flows or the risk that a counterparty fails to honour an undertaking for payment or delivery in terms of unsettled transactions.

The group is extremely cautious when selecting counterparties to transactions and formal limits are established for counterparties to asset or hedging transactions.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.7 Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows, and ensuring that adequate borrowing facilities are maintained. The directors may from time to time, at their discretion, raise or borrow monies for the purpose of the group as they deem fit. There are no borrowing limits in the memorandum of incorporation of the company or its subsidiaries.

Daily cash management systems are in place with the three local banks in order to optimise the group's short-term net cash position. The divisions maintain rolling liquidity forecasts including operational and divisional capital expenditure and operating expenditure budgets. These forecasts are regularly updated so as to identify future funding requirements and assess the adequacy of existing and committed funding facilities. Different scenarios are built into the rolling forecasts in order to stress test the divisional and group liquidity positions. The rolling liquidity forecasts are consolidated and reviewed at a board level on a quarterly basis. Each quarter a five-year balance sheet liquidity gap analysis is performed on the forecast balance sheet and reported to the board. This exercise highlights any potential liquidity gaps that may arise over the next five-year period.

To ensure access to additional funding and hedging facilities, Grindrod maintains relationships with a number of existing and potential funding banks and procures additional facilities where required. Negotiations of facilities are considered carefully to limit the potential restrictions imposed as a result of financial covenants and margining requirements. Contingency funding capacity in the form of committed but undrawn on-demand facilities is maintained.

In the banking environment liquidity risk may be defined as the risk of a bank not being able to repay its maturing deposits or meet its obligations under a loan agreement. Liquidity risk in a bank includes the risk of incurring excessively high interest costs or being forced to sell assets at a loss in order to meet its obligations.

The Bank has a prudent liquidity management policy and the asset and liability committee is responsible for monitoring the stability of funding, surplus cash or near cash assets, anticipated cash outflows, exposure to large depositors and exposure to connected parties. The Bank is exposed to a maturity mismatch due to the duration of the lending book when compared against the duration of the funding book. To date, the Bank has been well served by its prudent liquidity management policy, the stability of its deposit base and the high quality of the advances book. The Bank intends to continue to adopt a conservative liquidity policy in the future.

#### Group liquidity analysis

The contractual maturities of the group's (including the Bank) financial liabilities are as follows:

<b>2016</b>	<b>&lt;3 months</b>	<b>&gt;3 months &lt; 6 months</b>	<b>&gt;6 months &lt;1 year</b>	<b>&gt;1 year &lt;5 years</b>	<b>&gt;5 years</b>	<b>Non- contractual</b>	<b>Total</b>
Liabilities							
Provisions	-	-	-	55 552	-	-	55 552
Trade and other payables	1 523 986	-	6 462	-	-	96 453	1 626 901
Post retirement medical aid	-	-	-	55 373	-	-	55 373
Financial liabilities	94	-	-	8 099	2 328	-	10 521
Deposits	12 348 754	847 127	264 181	150 078	-	-	13 610 140
	<b>13 872 834</b>	<b>847 127</b>	<b>270 643</b>	<b>269 102</b>	<b>2 328</b>	<b>96 453</b>	<b>15 358 487</b>
<b>2015</b>							
Liabilities							
Provisions	-	-	-	28 092	-	-	28 092
Trade and other payables	2 272 414	7 394	3 848	-	-	157 632	2 441 288
Post retirement medical aid	-	-	-	61 099	-	-	61 099
Financial liabilities	-	-	-	-	-	-	-
Deposits	9 220 086	242 190	454 633	62 830	-	-	9 979 739
	<b>11 492 500</b>	<b>249 584</b>	<b>458 481</b>	<b>152 021</b>	<b>-</b>	<b>157 632</b>	<b>12 510 218</b>

**40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****40.7 Liquidity risk (continued)****Bank liquidity analysis**

<b>2016</b>	<b>&lt;3 months</b>	<b>&gt;3 months &lt; 6 months</b>	<b>&gt;6 months &lt;1 year</b>	<b>&gt;1 year &lt;5 years</b>	<b>&gt;5 years</b>	<b>Non- contractual</b>	<b>Total</b>
<b>Liabilities</b>							
Financial liabilities	94	-	-	8 099	2 328	-	10 521
Deposits	12 348 754	847 127	264 181	150 078	-	-	13 610 140
	<b>12 348 848</b>	<b>847 127</b>	<b>264 181</b>	<b>158 177</b>	<b>2 328</b>	<b>-</b>	<b>13 620 661</b>
<b>2015</b>							
<b>Liabilities</b>							
Financial liabilities	-	-	-	-	-	-	-
Deposits	9 220 086	242 190	454 633	62 830	-	-	9 979 739
	<b>9 220 086</b>	<b>242 190</b>	<b>454 633</b>	<b>62 830</b>	<b>-</b>	<b>-</b>	<b>9 979 739</b>

The holding company has guaranteed a facility of R517 600 000 (2015: R654 300 000) to the bank as additional liquidity.

**40.8 Solvency risk**

Capital adequacy refers to the risk that a bank will not have adequate capital and reserve funds to absorb losses, resulting in depositors having to absorb these losses and losing confidence in the bank and/or the banking sector.

The capital adequacy risk asset ratio of the Bank at 31 December 2016 was 13.74% (2015: 13.54%). The Bank will raise additional capital as and when capital is required to support asset growth and to ensure that a prudent risk asset ratio is maintained.

**40.9 Capital risk management**

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The group's overall strategy remains unchanged from the prior year.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of Grindrod, comprising ordinary and preference share capital, reserves and accumulated profit as disclosed in the statement of changes in equity.



# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.9 Capital risk management (continued)

#### Gearing ratio

The group reviews the capital structure on a quarterly basis. As part of the review, the group considers the cost of capital and the risks associated with each class of capital. The group has a target gearing ratio of 75% determined as the proportion of net debt to equity.

The group defines net debt as being comprised of borrowings, less cash and cash equivalents, including borrowings less cash and cash equivalents classified as held for sale. The gearing ratio at year-end was:

	Group	
	2016	2015
	R000	R000
Debt	<b>3 327 052</b>	4 359 529
Deposits from bank customers	<b>13 610 140</b>	9 979 739
Cash and cash equivalents	<b>(9 478 073)</b>	(8 393 256)
Loans and advances to bank customers	<b>(5 854 734)</b>	(4 915 854)
Liquid assets and short-term negotiable securities	<b>(1 801 065)</b>	(1 065 730)
Net non current assets classified as held for sale	<b>569 259</b>	1 645
Net debt	<b>372 579</b>	(33 927)
Equity (including minority interest)	<b>15 810 356</b>	19 139 891
Net debt to equity ratio	<b>2.4%</b>	(0.2%)

#### 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### 40.10 Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 and 3 fair values were determined by applying a combination or one of the following valuation techniques:

Level 2 and 3 fair values were determined by applying either a combination of, or one of the following, valuation techniques: market-related interest rate yield curves to discount expected future cash flows; projected unit method; market value; the net asset value of the underlying investments; and a price earnings multiple or a discounted projected income/present value approach.

The fair value measurement for income approach valuation is based on significant inputs that are not observable in the market. Key inputs used in the valuation include discount rates and future profit assumptions based on historical performance but adjusted for expected growth. Management reassess the earnings or yield multiples at least annually based on their assessment of the macro and micro economic environment.

	Level 1 R000	Level 2 R000	Level 3* R000	Total* R000
<b>2016</b>				
<b>Financial assets</b>				
Derivative financial assets	-	3 255	-	3 255
Other financial assets held-for-trading	-	-	-	-
Financial assets designated at fair value through profit or loss	-	753 752	1 084 948	1 838 700
<b>Total</b>	-	757 007	1 084 948	1 841 955
<b>Financial liabilities</b>				
Derivative financial instruments	-	(26 365)	-	(26 365)
Other financial liabilities held-for-trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	(100 200)	-	(100 200)
<b>Total</b>	-	(126 565)	-	(126 565)
<b>2015</b>				
<b>Financial assets</b>				
Derivative financial assets	-	8 290	-	8 290
Other financial assets held-for-trading	-	-	-	-
Financial assets designated at fair value through profit or loss	23 758	483 602	888 133	1 395 493
<b>Total</b>	23 758	491 892	888 133	1 403 783
<b>Financial Liabilities</b>				
Derivative financial instruments	-	(102 773)	-	(102 773)
Other financial liabilities held-for-trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	(97 127)	-	(97 127)
<b>Total</b>	-	(199 900)	-	(199 900)

\* Comparative figures have been revised to reflect more appropriate disclosures of financial instruments.



# NOTES TO THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2016

## 40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 40.10 Fair value measurement recognised in the consolidated statement of financial position (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	<b>2016</b>	2015
	<b>Level 3</b>	Level 3
	<b>R000</b>	R000
Opening balance	<b>888 133</b>	559 229
Additions	<b>158 499</b>	277 054
Disposals	<b>(993)</b>	(25 815)
Total gains recognised		
in other comprehensive income	<b>(3 770)</b>	2 206
Profit and loss	<b>43 079</b>	75 459
Closing balance	<b>1 084 948</b>	888 133

## 41 SUBSEQUENT EVENTS

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

# INTERESTS IN SUBSIDIARIES

year ended 31 December 2016

At 31 December 2016, the company had the following subsidiaries carrying on business which principally affected the profits and assets of the group.

They have the same year-end date as the company and have been included in the consolidated financial statements.

		Share capital		Effective holding	
		2016 R000	2015 R000	2016 %	2015 %
<b>Incorporated in South Africa</b>					
Grindrod Freight Investments (Pty) Ltd	F	1 495	1 495	100	100
Grindrod Management Services (Pty) Ltd	G			100	100
Grincor Shipping Holdings Ltd	D	53	53	100	100
Grindrod Shipping South Africa (Pty) Ltd	S	5	5	100	100
Unilog (Pty) Ltd	F			100	100
Unicorn Shipping Holdings Limited	D	15 020	15 020	100	100
Unicorn Shipping Operations (Pty) Ltd	D			100	100
Grindrod Financial Holdings Limited	B	1 923	1 923	96	96
Grindrod Trading Holdings (Pty) Ltd	T			100	100
Grindrod Freight Services (Pty) Ltd	F	1	1	100	100
AAS Logistics (Pty) Ltd	F			100	100
Calulo Logistics Holdings (Pty) Ltd	F			100	100
<b>Incorporated in British Virgin Islands</b>					
Swallow Enterprises Incorporated	G	415	415	100	100
Canosa Holdings Limited	G			100	100
<b>Incorporated in Isle of Man</b>					
Grindrod Shipping Limited	S			100	100
Grindrod Property Holdings Limited	G			100	100
<b>Singapore</b>					
Grindrod Shipping Pte Limited	S	4 405 677	4 405 677	100	100
<b>Interest in subsidiaries (note 4)</b>					

\* Nature of Business

B - Bank

D - Dormant

F - Freight and Property Services

G - Group Services

S - Shipping Services

T - Trading





# INTERESTS IN SUBSIDIARIES

continued

year ended 31 December 2016

	Investments		Share-based		Loans to	
	Shares at original cost		payments to employees		subsidiary	
	2016	2015	2016	2015	2016	2015
	R000	R000	R000	R000	R000	R000
<b>Incorporated in South Africa</b>						
Grindrod Freight Investments (Pty) Ltd	203 500	203 500	610	610		
Grindrod Management Services (Pty) Ltd			3 585	3 585	3 070 135	3 068 073
Grincor Shipping Holdings Ltd	1	1				
Grindrod Shipping South Africa (Pty) Ltd	506 308	506 308	1 090	1 090		
Unilog (Pty) Ltd						
Unicorn Shipping Holdings Limited						
Unicorn Shipping Operations (Pty) Ltd						
Grindrod Financial Holdings Limited	837 764	787 764			-	-
Grindrod Trading Holdings (Pty) Ltd	1 408 343	1 408 343			-	-
Grindrod Freight Services (Pty) Ltd	3 186 014	3 186 014	10 753	10 753	726 084	726 084
AAS Logistics (Pty) Ltd	-	-				20 000
Calulo Logistics Holdings (Pty) Ltd	-	-				
<b>Incorporated in British Virgin Islands</b>						
Swallow Enterprises Incorporated	415	415			4 576	4 576
Canosa Holdings Limited	23 290	23 290				
<b>Incorporated in Isle of Man</b>						
Grindrod Shipping Limited	-	-				
Grindrod Property Holdings Limited	34 344	34 344				617
<b>Singapore</b>						
Grindrod Shipping Pte Limited	4 083 677	4 083 677	911	911		
<b>Interest in subsidiaries (note 4)</b>	<b>10 283 656</b>	<b>10 233 656</b>	<b>16 949</b>	<b>16 949</b>	<b>3 800 795</b>	<b>3 819 350</b>

\* Nature of Business

B - Bank

D - Dormant

F - Freight and Property Services

G - Group Services

S - Shipping Services

T - Trading

# VALUE ADDED STATEMENT

year ended 31 December 2016

	Group			
	2016		2015	
	R000	%	R000	%
Revenue	9 031 783		10 192 369	
Net cost of services	(7 009 081)		(7 370 349)	
Value added by operations	2 022 702		2 822 020	
Non-trading items	(1 419 242)		(1 587 631)	
<b>Total value added</b>	<b>603 460</b>		1 234 389	
Applied as follows:				
Employees' remuneration and service benefits	1 364 071	226.0	1 466 069	118.8
Taxation on income	169 219	28.0	177 307	14.4
Providers of share capital	67 970	11.3	61 141	5.0
Providers of loan capital	257 864	42.7	219 722	17.8
Reinvested in the business				
Depreciation and amortisation	584 061	96.7	675 482	54.6
Retained income	(1 839 725)	(304.9)	(1 365 332)	(110.6)
Total	603 460	100.0	1 234 389	100.0

This statement represents the wealth created by adding value to the group's cost of services and shows how this wealth has been distributed.



# LOAN FUNDS

at 31 December 2016

	Date of redemption	Current rate of interest per annum (%)	31 December 2016		31 December 2015	
			Carrying Value		Carrying Value	
			R000	US\$000	R000	US\$000
<b>SECURED</b>						
<b>Foreign currency funding</b>						
<b>Financial liabilities measured at amortised cost</b>						
Loans secured by mortgage bonds over ships	03/2017 – 11/2022	3.12 – 4.18	<b>1 540 730</b>	<b>112 544</b>	1 586 077	101 672
Loans secured by guarantee	06/2018	4.48	<b>41 470</b>	<b>3 029</b>	381 423	24 450
Asset finance and capitalised finance leases secured by vehicles and equipment	03/2017 – 06/2022	4.63 – 29	<b>436 030</b>	<b>31 850</b>	360 989	23 140
<b>Local currency funding</b>						
<b>Financial liabilities measured at amortised cost</b>						
Loans secured by mortgage bond over property, terminals and locomotives	12/2017 – 08/2025	9.1 – 9.5	<b>305 852</b>		332 085	
Asset finance and capitalised finance leases secured by vehicles and equipment	01/2017 – 12/2033	7.25 – 13.5	<b>147 542</b>		214 133	
Loans secured by property			–		36 199	
<b>AGGREGATE SECURED LONG-TERM BORROWINGS</b>			<b>2 471 624</b>		2 910 906	
Transferred to non-current liabilities associated with assets held for sale			<b>(414 045)</b>		–	
Amount repayable within one year			<b>(634 240)</b>		(849 088)	
<b>NET LONG-TERM BORROWINGS</b>			<b>1 423 339</b>		2 061 818	
Closing rand/USD exchange rate at 31 December 2016			<b>13.69</b>		15.6	
<b>SECURITY</b>						
Net book values of assets encumbered to secure long-term loans are as follows:						
			<b>4 663 641</b>		6 419 563	
Ships			<b>3 336 748</b>		4 748 513	
Land and buildings			<b>349 967</b>		335 232	
Equipment, plant and vehicles			<b>976 926</b>		1 335 818	

# FINANCIAL SERVICES FUNDING INSTRUMENTS

at 31 December 2016

	Date of redemption	Current rate of interest per annum (%)	31 December 2016		31 December 2015	
			Carrying Value		Carrying Value	
			R000	US\$000	R000	US\$000
<b>SECURED</b>						
<b>Local funding</b>						
<b>Financial liabilities measured at amortised cost</b>						
Loans secured by guarantee	03/2017 – 12/2018	9.07 – 9.97	<b>296 708</b>		361 012	
Listed corporate bond secured by guarantee	10/2018	9.57	<b>163 184</b>		162 909	
Loans secured by mortgage bond over property	12/2023	9.50	<b>88 730</b>		91 436	
<b>AGGREGATE SECURED FINANCIAL SERVICES FUNDING INSTRUMENTS</b>			<b>548 622</b>		615 357	
Redeemable preference shares	07/2018 – 09/2018	7.88	<b>446 054</b>		355 936	
<b>AGGREGATE FINANCIAL SERVICES FUNDING INSTRUMENTS</b>			<b>994 676</b>		971 293	
Amount repayable within one year			<b>(191 187)</b>		(173 005)	
<b>NET FINANCIAL SERVICES FUNDING INSTRUMENTS</b>			<b>803 489</b>		798 288	

\* Rates linked to published South African market rates

